FINAL

Bloomberg Transcript

Y 2019 Earnings Call

Company Participants

- Christian Mumenthaler, Chief Executive Officer
- Edi Schmid, Group Chief Underwriting Officer
- John R. Dacey, Chief Financial Officer
- Philippe Brahin, Head Investor Relations and Head Governmental Affairs & Sustainability

Other Participants

- Andrew Ritchie, Analyst
- Edward Morris, Analyst
- Emanuele Musio, Analyst
- Iain Pearce, Analyst
- Ivan Bokhmat, Analyst
- Jonny Urwin, Analyst
- Kamran Hossain, Analyst
- Michael Haid, Analyst
- Paris Hadjilantonis, Analyst
- Sami Taipalus, Analyst
- Vikram Gandhi, Analyst
- Vinit Malhotra, Analyst

Presentation

Operator

Good morning, or good afternoon. Welcome to Swiss Re Annual Results 2019 Conference Call. Please note that today's conference call is being recorded. At this time, I would like to turn the conference over to Christian Mumenthaler, Group CEO. Please go ahead, sir.

Christian Mumenthaler {BIO 6479864 <GO>}

(technical difficulty) Q&A call I'm here with John Dacey our Group CFO, Edi Schmid, our Group Chief Underwriting Officer, and Philippe Brahin, our Head of Investor Relations. Allow me to make some comments on the results we published today before we take your questions.

There are several drivers of the Swiss Re Group 2019 Annual Results. First, we saw elevated Nat Cat claims of multiple large and medium sized events for instance, typhoons Hagibis and Faxai in Japan, Hurricane Dorian in the Bahamas, and several events in

Australia. Swiss Re has a strong presence in all of these regions explaining why the impact was large. However, we continue to see these as attractive markets, and they remained profitable for Swiss Re over the cycle.

Second, we took decisive actions throughout the year to address the performance of Corporate Solutions. We increased claims reserves in the first half and implemented further strengthening in the second half as we experienced a pronounced increase in US casualty claims. We adjusted the initial loss picks for 2019, conducted significant portfolio pruning, reduced expenses and added reinsurance protection. 2019 was a pivotal year for that business unit. Under a new management team.

These actions restore a stable foundation for this business. We are optimistic about Corporate Solution's return to underwriting profitability by 2021. Third, the US casualty trends on which we commented in our investors day have deteriorated. We proactively responded by adding to prior year reserves and increasing initial loss picks in P&C. As such we maintain our overall reserve adequacy and have reduced the risk of further reserve strengthening in the face of future uncertainty.

Fourth, moving on to the Life business, Life & Health Re continues to deliver strong and stable results with an ROE on the top end of our target range. Fifth, in Life Capital we executed on one of our key strategic objectives by agreeing to sell ReAssure to Phoenix at an attractive valuation. This transaction is expected to improve the Group's return and capital profile going forward. Sixth and finally, we are very happy to report an excellent result for Asset Management, including the realization of value with the divestment of our stake in SulAmerica.

Looking forward to 2020 we're very pleased with the outcome of the 1/1 renewals. We have reduced our exposure to US Casualty new business at the last round of renewals. The premiums written in this line were down 2%, while we pursue our growth strategy Nat Cat supported by price improvements. Our overall nominal price increases of 5% compensate for the impact of lower interest rates and higher loss assumptions.

We expect to see an improved combined ratio for 2020 of 97% supported by further price improvements in upcoming renewals. For Corporate Solutions price increase of 14% were achieved in January 2020 together with the ongoing portfolio pruning and cost savings this supports expected improvements in the combined ratio of around 105% for 2020 while the combined ratio target for 2021 remains at 98%.

To conclude my remarks let me highlight the set of attractive capital management actions which we will propose to the upcoming AGM; a 5% increase in the regular dividend to $5.90 per share and an up to $1 billion share buyback program.

With that I'll hand over to Philippe to guide us through the Q&A.

Questions And Answers

A - Philippe Brahin {BIO 19081619 <GO>}

Thank you, Christian, and good day to all of you also from my side. As usual, before we start the Q&A, I would like to remind you please restrict yourselves to two questions each and register again if you have follow-up questions. With that, operator, could we please take the first question.

Operator

The first question comes from Kamran Hossain from RBC. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, thanks for taking my questions. The first one is just on the ReAssure deal, could you maybe talk about your thinking around proceeds from the deal. I guess you know closing the middle of this year, you will get some cash. You will have the stake. Could you maybe talk about kind of plans for that, or it is the, I guess the strengthening and casualty plus kind of high cat kind of consume some of that? And would you like to repatriate with similarly sustainable solid cash flows?

And the second question is just on the reserving charge at what point did you kind of think we need to address this some more because the impression that I took away from the Investor Day in, towards the end of November with firstly that maybe things were fairly under control. So just a little bit more color around that. Thank you.

A - Philippe Brahin {BIO 19081619 <GO>}

Thanks, Kamran,so maybe John, for the first one, Edi for the second.

A - John R. Dacey {BIO 4437051 <GO>}

Sure. Excuse me, this is John Dacey, on the ReAssure you're right, we get a mix of cash. We expect GBP1.2 billion plus shares in Phoenix coming through when the transaction closes. That transaction is obviously subject to regulatory approvals. But the good news is that Phoenix has been able to raise some funding for the deal as well as get the shareholder vote last week. When this comes in the middle of the summer we'll evaluate where we go with the funds.

But I think it'd be premature to suggest what they will be used for. We continue to look for opportunities to continue to write profitable business in our reinsurance book in particular. And in addition to that, I think it's important to note that the impact on the SST ratio of this deal will not be included in the January one calculation that we publish next month with the annual report, but will only flow through when we close it.

So the capital benefits will show up on closing not before.

A - Edi Schmid {BIO 18942809 <GO>}

Thanks for the second question regarding the reserve strengthening. And as we point out, this is mainly around US casualty and in particularly US liability. And we spent a lot of time already back at the Investor's day. What really happens towards the end of last year that we saw a significantly more pronounced severity and frequency of large claims out of US liability, and also what you have to picture that in Q4 is the time when the reserving extras [ph] is actually go through the what we call our priority loss ratios, so the initial loss picks that are an important input into setting the IBNR.

So they went through that again with the underwriters and concluded with all the loss trends we see and all the heightened environment around toward social inflation, it was prudent to also go back and increased initial loss picks for the very green underwriting years like '18 and '19. I'd also add that will be concluded out of this feedback loop that it's also prudent to strengthen the loss ratios we use for that business going forward.

That's also why you actually see that the price improvement of 5% nominal was than compensated by 1.5% increase in loss pick and the rest through rate increases. So it really was a combination of much more pronounced loss frequency and severity out of US liability and the still elevated social, environment plus then the time of going through this initial loss pick reviews where we felt prudent to bring the initial loss ratios to an adequate level.

A - Philippe Brahin {BIO 19081619 <GO>}

All right thanks Kamran for your question. Can we have the next question please.

Operator

The next question comes from Andrew Ritchie from Autonomous. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, there. First thing first, the 97% combined ratio, you talked about for P&C Re normalized ratio, can you just clarify the assumptions within that, first of all, what is the assumed cat budget for 2020 given the growth in cat exposure. And secondly, I'm assuming there is no expected change you've uplifted the current year picks for Casualty exposures in the 2019 assuming -- you're just assuming they hold their within the 97% as in pricing won't overcome them. You can have the whole, the current year loss picks up at the elevated level for Casualty.

Second question, (inaudible) kind of the question, I just wanted to clarify has the issue, now widened out beyond LCR, large corporate risks. I mean large corporate risks are kind of where you encouraged us to focus as being the kind of main issue in November. Is that not the case is a much broader issue. Thanks.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yeah, thanks. Andrew for these two questions, and first is around the 97% combined ratio estimate for this year, which is down from 98% we estimated last year. Actually, as you know, last year we were close to this 98% on a normalized basis. So the further improvements comes from three factors, one is price improvement, but obviously the nominal price improvements again need to be compensated by the increases in loss pick.

So last year we had price increases of something like 1% but with the loss pick we now use for '19 going back some of that is lost. So it's not that much earnings through into this year. In the 1/1 renewals we have seen this 5% nominal increase. Again some of that is compensated by the higher loss picks but then we also have 3.5% which is nominal, but which we need to compensate for the lower interest rates. And this will also go down ultimately to the combined ratio. But again, this will only 30% [ph] in this year and also we have not assumed at the 3.5% effect all the business we write this year. So we factor it in we get to about 0.6% improvement just through price improvement. And then the other factor, which we also pointed out last year, that's scale impact.

So we wrote significantly more business in '19 at flat expenses and quite a bit of that turns into 2020 and again with more growth, so that explains another improvement in the combined ratio estimate. And then there's also a bit of uplift in the combined ratio outlook from the mix in the business, last year, and again this year. We start to shape the portfolio quite a bit more into the short tail parts which also add. So these three factors together explain the 97.1% improvement versus last year.

On the second question is where do we see this elevated social inflation impact in US casualty. I would still say this is much more pronounced in the larger corporate space. You can also narrow it down to certain products in the liability space. It's mainly Affecting lead umbrella excess and surplus. So it's really the products that pickup, the stability of the losses, and this is large verdict in the tort [ph] environment, that go into these products line. So that's still is the space where we see this impact most pronounced.

And really the SME segments also, if you look at our different Reinsurance clients it's mainly affecting those catalysts that drive these large risks, that drive the umbrella, that drive the excess liability, the more regional clients writing the smaller risks, the SME clients. There we actually see the performance quite in line with expectations.

So it's not purely only the largest companies, but it's really, those that are regarded as deep pockets. And it's also these products like the pickup, the securities or the excess NT [ph] umbrella. And just to give another example we call it liability but these umbrella and excess they also picked up the commercial motor claim. So you can also have very large verdicts if there's a trucking accident. And then the excess claim goes again into the umbrella, there's pick up under the liability line of business, even though the underlying business is commercial motor. So still we think this is a big issue in the market.

I think we are a bit at an important juncture. You see a lot of improvement in the original markets carriers we use the line say deploy a umbrella in excess. There is significant increase prices but on the other hand, you still have the elevated social environment towards environment. So these we will monitor very carefully in 2020.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Maybe one word on the budget 2020, on cat, nat cat.

A - Christian Mumenthaler {BIO 6479864 <GO>}

The cat budget, so the updated number as usual we only provide of the Q1. So last year, the budget, as you call it is was $1.6 billion. We more pronounced the impacts, which is then adjusted for reinstatements and profit commissions, so on so forth. So we clearly think it's going to be again a bit higher because we wrote more nat cat business. There was again some model adjustments, which reflect the trends we see in the business and like in Japan where we expect significant rate improvements we adjusted the model.

So the budget will be a bit higher, but it's too early to give a final, number.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay, thanks Philippe.

A - Philippe Brahin {BIO 19081619 <GO>}

Thanks Andrew, can we have the next question please.

Operator

The next question comes from Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, good afternoon, everybody. It's Vikram, SocGen. I got two questions. Firstly, I just wanted to go back on the massive reserves review exercise for CorSo where the conclusion was that the reinsurance reserves were adequate. And then the comments at the Investors Day in November, where I thought the message was, okay we are aware of these issues. And since we have a reasonably large exposure to US Casualty we are flagging it, but we are on top of it.

Now I hear your comments regarding the previous questions, but based on what we see today, wouldn't it be an over simplification to say that the loss cost trends, have significantly accelerated just towards the end of November, December and the actions that the Group has taken are simply a reflection of that. And that's question one.

And secondly perhaps somewhat related to the first is the level of reserving and the whole debate about US GAAP versus IFRS, and consequently, the best estimate versus the best estimate, plus a margin. My question really is since the best estimate is a range and not a point, what really stops the Group from being conservative by reserving at the top end of that range, because by design the long lines [ph] can really spring nasty surprise. So that's all from my side.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Thanks, to you, Edi? So on the first one which along the same lines as the previous question, so at in Investors Day, we clearly pointed out that reserves are adequate at an overall basis, but we also highlighted that if you look more specifically into this US liability space with underlying products as I explained in the earlier questions around umbrella excess liability that was a significant, let's say focus area of course over the last few years where and also a lot of the reserve strengthening happens. But also these were the lines, then obviously where CorSo decided that they would put highest on the pruning list and get out of these lines. Some of these exposures also are in the reinsurance business. There obviously it's part of a much broader portfolio with all the lines in the US and in the global casualty portfolio but already at Investors Day we pointed out in the US liability space, there is uncertainty. And as I explained in the last question there was clearly a much more pronounced reporting of large losses out of the segments. I just pointed out, plus and going back to the initial loss picks for the green arm writing [ph] in '18 and '19 and we really felt it is prudent to then increase those to reflect these later strengths and also project that some of these elevated inflation will prevail for a bit longer in the reserving, but also in the writing of the new business to really be on top of these issues. We are now back at the level in the reserve range is similar to before, which gives us confidence that we are at the right place. But clearly this US environment, as I described before, remains quite uncertain. So we need to keep watching this space very, very carefully. And maybe on the second one, John, you want to comment on IFRS versus US GAAP estimate.

A - John R. Dacey {BIO 4437051 <GO>}

Vikram, my view reinforced by our external auditors is that they expect our reserving to reflect where we think ultimate losses are going to be. Undoubtedly, there is probably a little bit of flexibility around that -- this with a book as big as ours, we can't pretend that there is absolute precision in this. I think your question came -- was aimed more at why don't we hold more reserves than less.

And the conversations I've had with our auditors, as well as the policies of the group over quite some time have been an attempt to get to where we think is the right number, not a right number plus a buffer. And so hanging those buffers is not something, which we do today, we're likely to do tomorrow. We do our calculation and that takes us into the percentage ranges that you've seen us talk about in the past and as Edi said, we remain comfortable that we're in pretty good shape here especially after the actions taken in the fourth quarter.

And I understand your frustration given where we were on Investors Day. We've got some of it too, but I can reiterate Edi's point that there was new information that came into us on actual claims and course so on notifications and related claims through our reinsurance book that showed up at the end of the year before we finalized our numbers at the end of January, and we were compelled to use the latest information we had to make those adjustments. It's frustrating, but that's what we saw. I don't think there is any particular reason for it other than the process Edi mentioned on the calculations for the APLRs. You should expect that every year end we'll continue to do that, but in terms of what the notifications were I don't think people have been holding back or we've been ignoring anything along the way.

A - Philippe Brahin {BIO 19081619 <GO>}

All right thanks Vikram for your question. Can we take the next question please?

Operator

The next question comes from Edward Morris from JPMorgan. Please go ahead.

Q - Edward Morris {BIO 16274236 <GO>}

Hi, thank you. Two questions please. So first is coming again back to this topic of US casualty, I mean you're talking about doing this on a proactive basis and you mentioned that there is a reduced risk of further additions being necessary in the future. On the other hand, it seems that it's a reactive approach to something that you've seen in November and December. So I'm just trying to understand, are you now feeling more confident about the level of reserves for the US liability book than you were in November, I think you talked about being at the 50% confidence level for the US liability book, then. Are we are in a better position now than we were then.

The second question is really just around corporate solutions. I mean this is the third year now where we've had very significant negative ROE, the ROE for this year is actually flattered dramatically by the fact that a lot of the losses were passed up to the P&C Re business. I mean, it seems that this business is now effectively depleted all of the equity that was in it in 2017, and we are aiming to get back to an ROE of 10% to 15% in two years' time. The risk reward around that just feels very very bad. So just can you -- does this cause you to again, think about the long-term plan for corporate solutions. Thank you.

A - Philippe Brahin {BIO 19081619 <GO>}

So maybe Edi and then Christian.

A - Edi Schmid {BIO 18942809 <GO>}

Yeah, so on the first one, again around US casualty and the reserve strengthening in Q4, active I really say it is in line with what which we described as the best estimate approach. So at any point in time, we just want to make sure we reflect all the new evidence we have and also factoring the trends we see in the business and in Q4, we saw this elevated claims and we went back also to adjust the very green underwriting years where still a lot is not based on reported for pure IBNR and proactive means already at that early point in time increase our priority loss ratio and initial loss pick to make sure that the new evidence and the trends we see are fully reflected. As I pointed out and John reiterated we are now back in the same range, around the best estimates. So we feel comfortable. But it's fair to say these US liability tort environment is still uncertain, how this is going to continue. This is really hard to predict it in our assumption for reserve setting and also for the costing into 2020 we assumed this increased severity is going to prevail for a bit longer. We see the first signs of let's say some of the charges will override some of these really high verdict batch orders that is coming, some transparency requirements around litigation funding.

So hopefully, it's going to peak soon, but we think it's going to get a bit worse which we factor in, but on the other hand as I explained earlier. We also need to understand what's happening in the underline insurance market. So the significant cuts off limits provided for liability risk cost to significant rate improvements so factoring all of this together which we tried to estimate as best as possible, but still there remains some uncertainty, but we are now back at the reserve level where we feel confident that it is under control.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yeah, I'll take the second question, obviously you guys obviously we see the same figure that you see and they're very frustrating. So no, very fair challenge and we all ask ourselves the same question. Now we are where we are and for any option in the future we anyway, need to clean up, do all the clean-up work, bring it back to profitability. The fact that we'll be able to do that I think is very plausible. If you look historically, this business has been very profitable is very, very cyclical business as we know, has been very profitable in the past.

It also had some horrible phases. Just think about the reserves alone that were part of reinsurance. When CorSo separated in 2012 they produced more than 1 billion of profits during that piece of time. So they did have indefinitely some very good years. But clearly now it has hit a very hard place. So our view is anyway. We need to fix it. And then the question is can we transform it into something that is interesting, will be different, as Andreas has shown in the Investor half year.

The idea is not to become a huge player and I mean the old trajectory definitely will not come back. The question is can it become something smaller, more specialized, as I said, we de-commoditized the business is one of the key elements. So in which sub lines do we have any competitive advantage. There are some where we have some where we have demonstrated good tools and a good sense of where the price are and some others not. So don't think we just fix it and then go back to the old one. I think that we focus on fixing it and then see what else can we do with it, and can it be transformed, is something that makes long-term sense in the Swiss Re Group.

A - Philippe Brahin {BIO 19081619 <GO>}

All right, thanks, Ed for your question. Can we take the next question please.

Operator

The next question comes from Jonny Urwin from UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi, there. Thanks for taking my question. It's just one really and it is a follow-up on the casualty, but I think we need you guys to be a bit more explicit around the US liability piece and where you are you versus best estimate. So would you say at the Investor Day you were at the 50% on the US liability piece, but the broader book within 60 to 80. So please can you update us on that US liability piece in particular. I mean I would think given, this is a large reserve charge that would have improved, but please could you confirm that.

And then secondly, I appreciate what you're saying about reserving and it's consistent with your philosophies reserve a best estimate no buffers, but I mean has this experience in P&C Re and CorSo led you to think about questioning that. I mean should you hold buffers, your peers do and I'd just be interested to get your color there? Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

I guess, again I take the first one around the US casualty and more specifically around US liability. So it was the reserve strengthening. What we said before, we are back in at the same level in the reserve range as we were before. So casualty overall, we are very comfortable. US liability we strengthened but still, I would say, as mentioned before, there is uncertainty around US liability. We're comfortable that this is our best estimate reflecting all the trends, all the losses we have seen, loss factoring in is also to expect to become aggressive tort environment. So around US liability that is still more uncertainty than in the overall reserve base. So that's how I would put it, and on the buffers I think John maybe take that one.

A - John R. Dacey {BIO 4437051 <GO>}

Jonny, look, I mean. Yes, would I'd like to have cookie jars that I can access at will, the answer is yes. Would that make calls like this one a little easier. I would assume so. But the fact of the matter is that that's not going to happen at Swiss Re in the foreseeable future. And so I think, where our focus is and where our focus should be is actually on the upfront underwriting and what you've heard, Edi talk about is aggressively adapting the pricing and the costing frameworks to this new reality and being sure that we're faster not slower in getting those prices in place as we think we have, as we go into 2020 so that any new business we bring on to the books is in fact going to be profitable and we don't have to worry about reserve deficiencies on a going forward basis. So that's where the focus of the group is and I'm confident that there is enough urgency and focus on this, in addition to frankly some new people in some important roles in CorSo in particular to be able to deliver.

A - Philippe Brahin {BIO 19081619 <GO>}

Thanks Jonny for your questions. Can we have next question please?

Operator

The next question comes from Sami Taipalus from Goldman Sachs. Please go ahead.

Q - Sami Taipalus {BIO 17452234 <GO>}

Yeah, hi, good afternoon, everyone. So my first question is just on the rating agency perspective of financial strength. Could you just maybe provide an update on your level of comfort on rating agency capital and rating agency debt leverage? Then, my second question is just on claims but not given a cash out [ph] at this time. Could you just provide a view of how you see the Australia wildfires. I guess we had some in last year, but also how it's going on now and also potential impact from the Coronavirus. Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Hey, John, the rating agency.

A - John R. Dacey {BIO 4437051 <GO>}

Yeah, sure. So on rating agencies, we're very comfortable where we stand with S&P, Moody's, and you're probably aware AM Best. We use Fitch or have used Fitch with respect to the ReAssure business. There is no reason to think that there is any adjustments or changes here. We've not disclosed in recent years, the S&P Capital. But it remains above the current rating, and I can say it's still remains above the current rating.

I think they like others will be happier when we're -- our actual results meet our financial targets I expect them to be interested in seeing how our plans are for delivering that, but again with a 97% combined ratio in P&C Re with our Life & Health franchise continuing to deliver and with our investment risk contained but delivering strong results in '19, sitting on $5 billion of unrealized gains at the year-end I think we're in just fine shape.

With respect to Australian wildfires maybe let me take a first shot. The fires that we saw started in December continued into January. A number of the reinsurance covers in place actually had us springing back most of the damage that was done into the 2019 calendar year. And so I think we've indicated, we've taken a charge in 2019 on the wildfires in December or January of about $100 million, and we think that's for the fires, the majority of -- the vast majority of the ultimate cost. Subsequent to those wildfires there have been both hail storms and floods in Australia, which will be Q1 events in 2020 that we're evaluating as we speak.

I think on Coronavirus at the moment, I suggest that this does not appear to be at a significant insurance industry loss nor a significant loss for Swiss Re with the infections that we've seen and the deaths that are related to this. There are clearly some very important economic disruption as result of this. There will be industries and companies which are going to be severely affected. Most of the covers, that might be relevant, that would include some sort of business interruption typically are on property policies that require physical damage. And so I don't exclude the possibility that some people might have reached out for specific covers related to non-physical damage, at least in our portfolio. I think we can say we don't see much. Edi, you might want to add?

A - Philippe Brahin {BIO 19081619 <GO>}

Yeah, that's a high level description. So again, a significant impact on global supply chain. So some biz interruption, travel implications, but the vast majority of policies out there, they require physical damage. There are some that include non-physical damage DI [ph], but usually there then these communicable diseases are excluded. And there is a niche market. I would describe it, where you get some coverage for communicable diseases, long term damage is covered. It's really a niche.

Maybe on the life and health side, I would say at this point the bulk of the impact is within China, and there the different products will respond differently, most of the impact we see on the medical side. We only have a small book on the medical side. Most of our business will be call critical illness. So it's cover for defined diseases and usually the Coronavirus would not be a covered disease. But there may be some very severe symptoms pneumonia where there is some coverage available, but it's also important to put the event into context, still a lot of uncertainty of who is going to get on the control soon.

But the number of tests so far, while it's very sad event if you compare it to an annual seasonal flu, causes about 300,000 to between 600,000 deaths on a global basis. So they are close to 2,000 we have seen so far is not a huge event from a relative perspective, but really hope seeing that's under control and yeah, let's see you at this point, we don't see it as a huge impact to the insurance industry. Thanks, Sami for your question. Can we take the next question please?

Operator

The next question comes from Ivan Bokhmat from Barclays. Please go ahead.

A - Philippe Brahin {BIO 19081619 <GO>}

Ivan Good morning.

Q - Ivan Bokhmat {BIO 15378004 <GO>}

Hello, good morning. I've got two questions please. The first one is on pricing across CorSo and perhaps across the primary space in Casualty. I'm just wondering whether you can make a statement on whether you see the price improvements that you've received as covering the loss cost inflation or not and the social inflation? And then the second one would be on the SST. I'm just wondering if you could, talk about the -- give a little more color about the movement in SST since the previous reading of 241 you gave, and maybe a little bit of an update on the benefit from the ReAssure transaction. We obviously we've seen a strong performance of Phoenix share price but also rates have moved, perhaps you could update us on that number. Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yeah. So maybe I'll go first regarding the pricing question in let's say the larger commercial business, which is the CorSo space. So if you go back a little bit after the hurricane losses in '17 and '18, we were all hoping for more significant price increases in the commercial space, which had been very soft for a long time and it's only really through '19 where we saw prices to start picking up much more significantly in the property space there have been cat losses is probably most pronounced, but then throughout 2019, there were much more dynamics going into particularly the US liability space relating to what we discussed earlier, around the reserve strength and what we're doing there.

So there is, I would say a lot of pain in the system around US liability. It's mainly in these umbrella, excess commercial motor space I pointed out before, and there you see significant actions by most of the larger carriers, so they have typically much lower limits than before and they are charging significantly more premium.

Now you asked the important question whether these changes, lowering limits and increase in prices are good enough to cover the increased level of losses, at this point, we think in 2020 for these most exposed segments like umbrella and excess we are not yet convinced that this is enough. When you look further down in other segments, in property, other lines, excess auto, CorSo also has been growing at a much stronger rate adequacy. They are, I think we're getting in a better space, but clearly this momentum in the commercial space around different lines has to continue for quite some time, but in this really most exposed areas in US liability there we are not comfortable yet that what is happening in the underlying market is good enough. It will take more and it will take also some improvements in the tort environment. That's why we remain cautious, in 1/1 also in our reinsurance book, premium on cat is 2% down.

If we look more closely into the US liability space where we now track the underlying limits that we reinsure in all the treaties, we have reduced exposure to that most exposed space by some 12%. So clearly we want to position us more cautious in that most exposed space at this point in time.

A - John R. Dacey {BIO 4437051 <GO>}

And so you need to add that I mean it's may be obvious, but in CorSo we basically don't write the business anymore. Right, the most exposed to social inflation. So when you say we're not happy with the rates it's meaningless for our portfolio. It's just an observation on what we see in the market.

A - Christian Mumenthaler {BIO 6479864 <GO>}

So the CorSo pruning actions are to a large extent around exactly those most exposed segments, umbrella, excess liability and excess and surplus. But obviously we have some of that in our reinsurance treaties and that's where we are also not exit but reduced exposure significantly.

A - John R. Dacey {BIO 4437051 <GO>}

But for the absence out, of course we've shut down the teams, we're not writing new business. We're managing the portfolio as it expires. The second question was respect to the SST, again we'll provide you in March with the January estimate for SST -- or not estimate, but the actual number that we've calculated. I can give you some directional help. I think as you said, as on July 1 the number was 241. There's probably three factors which would have a negative impact on that.

One was the capital deployment of the business, that we continue to go through in the P&C Re business in particular. The second was the reduction of interest rates in the second half of 2019. And the third we will include as of January 1 the capital actions that we described yesterday or actually this morning, sorry, the Board approved yesterday for the increased dividend and the authorization for the share buyback.

Instead going positively the tightening of credit spreads in investment markets and a debt issuance that we did in the second half of the year, that's SST relevant will help that number. So the combination I think would leave us, should leave you to believe that the answer somewhere between the 241 which we identified and what we said this morning, which is we remain above our target for 2020. Importantly, that number of January one does not include the estimate that we will have for the ReAssure transaction. We've not attempted to update that from the number we've previously provided, which is a 12 percentage points to the SST ratio.

Eventually, we'll see where the Phoenix share price ultimately is impact that might have to earnings during the course of the first six months of the year.

A - Philippe Brahin {BIO 19081619 <GO>}

All right, thanks, Ivan, for your questions. Can we take the next question please?

Operator

The next question comes from Iain Pearce from Credit Suisse. Please go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi, a couple of questions from me. Firstly on CorSo combined ratio. So you sort of outlined the steps that you see to get you to 105% next year, but you've maintained the 19% guidance for 2021. So I'm just wondering what you see is driving the improvement in 2021 with that 7 percentage point improvement in the combined ratio. And then also on the CorSo PY date, not on Casualty this time, you've also flagged some negative development in the property line in CorSo and specialty. So I'm just wondering if you could give a bit more detail on what's caused that negative development. Thanks.

A - Christian Mumenthaler {BIO 6479864 <GO>}

On the CorSo combined ratio, so we are still very confident that we achieved the target we set for 2021, which is the 98%. For this year we also gave an estimate of 105% which reflects all these changes, we have been talking about. So there is various components again, building on the decisive management actions started last year, so that the pruning of the portfolio will help the significant rate increases we are achieving. I think we -- that we showed across 2019 we achieved 12% rate increase. Of course the CorSo book just in January rates were up some 14%.

So we clearly will maintain this significant rate improvement momentum. As we discussed earlier on we have reviewed also these initial loss picks, so we increased that also in CorSo to really make sure we are at a very solid footing for the business we write going forward. So that explains why for example, the normalization ended up with a slightly higher combined that we showed before. But with all the actions now in place and the rates improvements we are confident we can achieve throughout 2020 and in 2021. We will definitely get to the 98% and we have this 105% estimate out there for 2020.

And on the second one PYD [ph] for CorSo. So in the second half, it was also around increase in initial loss picks. But you point not only to casualty, there were some also in property, but that was really part of the detailed reserve we did in the first half year where also some of the cases on the property side, some net cat claims, some large man-made claims, we increased reserves on these specific cases. So it's not like a trend in the IBNR, it was really that some of the individual cases had to be strengthened in terms of individual reserves that explains the property and the specialty part. There was also one larger credit loss, where we increased the case reserve.

A - Philippe Brahin {BIO 19081619 <GO>}

Okay. Thanks Iain for your question. Can we take the next question please?

Operator

The next question comes from Paris Hadjilantonis from Exane BNP Paribas. Please go ahead.

Q - Paris Hadjilantonis

Yes, hi from my side as well. Two questions, firstly on Japan, going into the renewals, obviously you are a very large player. You have had to pay quite a lot of claims in Japan over the past couple of years. And I was wondering if you can give us a bit of an update of how your conversations with clients are going into the April renewals. And what kind of changes have you made to your risk view. So to your view of risk for not cutting Japan. Also, we also have quite a lot of detail out there from the press saying about mid-doubled teen [ph] increases in price. So if you can give us some detail on Japan that would be interesting.

Secondly, I'm sorry to be going back to US casualty and liability, in your Investor Day you were flagging about $8 billion of related reserves being impacted. Obviously that didn't include CorSo reserves. Given the actions you've taken today can you give us some more detail of where that takes your ultimate loss ratios, particularly for the year regarding book debt. And if you can give us a bit more detail about which years exactly are impacted. Previously, you were saying 2014, onwards, I think right now we are talking about some of the more recent years. Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

So let me take the first one around 1 of April, Japan renewals. Clearly, we have very high expectations for price increases, given the experience over the last two years, Jebi the year before and last year Hagibis and Faxai, significant losses and as you also correctly pointed out, we have a significant market share in Japan. Over the cycle with Japanese clients we have made good profits. So clearly we want to stay in that market, but we will push a lot to get to now to price levels that are really commensurate with the risk. And so we're talking about substantial amounts. I don't want to go too much into percentages, but it is going to be very, very substantial to also compensate for clearly a more elevated risk review, we now have in our models.

As we always do, based on the learnings from large Nat Cat events we review older loss evidence and also take the latest scientific evidence and put then the view of risk, the risk model on the latest scientific bases and there was a significant uplift in our view of risk. We actually went out with these messages very early in conferences in the market to really make it clear that the market overall is underestimating the Japanese typhoon and flouting risk.

So that's what we now use as a costing basis, and on top of that, we really will go for a substantial price increases in the Japanese market also then further into the mid-year. We still would expect loss affected programs and programs with significant US hurricane exposure to achieve also significant rate increases. So further price momentum, which then backs of our ambition to actually write more in the Nat Cat space, but of course we need to achieve the appropriate rate increases first.

And on the second one US casualty, I was not quite clear where you're pointing towards. I mean, yes, we have about $8 billion of reserves in Reinsurance that our US related, but again as US liability in the broader basis, this is not, let's say, only this is broader than the more exposed segments I pointed out before, so is the excess liability, the umbrella, and that is written by the larger cedents and the larger carriers. That's a much more narrow reserve base.

I think we quantified it back in our Investors Day as a much smaller number. That's really more exposed for us, the $8 billion that also includes liability reserves with regional clients where there is a lot of SME business. I would not call that exposed. And then obviously there is the CorSo parts, where now we have the ADC in place, so that the reserves on the CorSo side are now actually part of the reinsurance pool. But I cannot give you a reserve number off top of my mind how big that we'll see.

A - Philippe Brahin {BIO 19081619 <GO>}

Yeah Paris on the 19th March, in few weeks we will publish our annual result with the annual report out the loss triangles and we will have the breakdown, the detail, we'll have a call and actually the actuarial reserve [ph] will be with us to go through these numbers, and your question regarding US loss ratio, where are we and so forth. So it will come out in next few weeks.

Thanks for your questions Paris. Can we have the next question please?

Operator

The next question comes from Vinit Malhotra from Mediobanca. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, thank you very much. Sir just one question from me, on the US casualty topic, apologies, but just to clarify, you mentioned that the tort environment remains uncertain. And you mentioned that the medium sized SME clients are coming in line with expectations. I was just wondering if there any provisions you have taken for this assumption to be tested later in the year. For example, what if the tort environment trickles down to the medium size, is there a risk that you see as likely, or you see that we will tackle it when we get to it. So that's my first question.

And second question is just back linked to CorSo, so the 105%, would you say that when this presentation was made in summer last year, would you say that this trajectory is in line with what you expected or the 105% or would you say that the US casualty trends et cetera have led to some kind of change here, and you were expecting a bit better for 2020. Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

So the first one, once more around US casualty, or more specifically US liability, and maybe I also make the comment that clearly this is an industry issue. Also if you look at the findings of all the carriers in the US there was clearly significant reserve strengthening around US liability for the last few years. Why it was not so much in the headline is that it was to most extent compensated by favorable reserve development, mainly in workers' comp.

So those carriers who also have significant workers' comp book they could compensate these two. So it kind of netted out. Your question again around the protection how these quite aggressive tort environment, social inflation is going to play out. Of course there is uncertainty. As I pointed out before, there are some silver linings and you see some of these very large verdicts by torts [ph] being overruled by charges. So it could peak. And as I said before, it's more pronounced at the larger corporates. These are regarded by the (inaudible) plaintiff bars as the deep pockets to go after. But also we have seen cases where trucking accident -- still the plaintiff bars go after the trucking companies, may not be Fortune 500 company. It also affects other corporates, but it as I said goes mainly into these umbrella and excess coverage that really picked up severity of the losses.

Where we have not seen it is really in the SME portfolios of the regional clients. But that's clearly a space, we need to watch very carefully and that's why I've explained before there's a significant momentum in terms of rate increases and limit cuts. But this tort environment is still an area of concern. And how these factors play against each other means we need to track this very carefully. And at this point you're not comfortable in that space. So that's why we keep reducing exposure. But the picture can change six months from now, 12 months from now, we need to reassess.

A - Edi Schmid {BIO 18942809 <GO>}

But Vinit just maybe if I can add, I think the reserving actions we've taken are not limited only to large corporate related risk. It's line of businesses where we are on either a proportional or an excess of loss treaty and the reinsurance we've taken a look at the underlying risks and made these pretty significant actions. Not only are unreserved and but also pricing going forward. And so I think that's where we are.

A - Christian Mumenthaler {BIO 6479864 <GO>}

John, maybe just to add -- maybe that's basic. But I think obviously US GAAP is a best estimate philosophy through and through which means that the reserving, selling process is a completely independent process overseen by the Chief Actuary and Edi and John and I have nothing to say in that process. So we're receiver of the information and so the actuaries try based on our information to have to get to the right answer, the plus or minus of that, but it means that they can be on both sides. We cannot just start to book things because we are afraid of something. There needs to be evidence, otherwise you can't book anything.

But vice versa there is no way no temptation, nothing that top management can say let's wait it out or let's see if things improve et cetera, et cetera. So what you get is basically when people look at evidence that's what they're seeing and they try to the change the assumption accordingly and come to the right results. And that's -- it creates more volatility, obviously. I understand the frustration, I'm part -- I'm frustrated myself sometimes. But to a certain extent, it is a very honest way of looking at things and it means you're typically at the forefront of things. But it means -- there is always risk but you don't have buffers to avoid risk. I'll give Edi a break and try to do the second question, myself and Edi will correct me if I get it wrong, but your question is, at the mid-year are we seeing the trends we expected. I'd say we probably see a slight deviation but on two dimension. So the first deviation is yes, we probably have a more negative view of expected losses in the casualty book, especially but not only other places but that fortunately has been balanced by a better than anticipated increase in the pricing, that CorSo has been able to achieve. So both these have to work their way through the portfolio, but net-net one of the reasons we're confident about the 98% is not because we need 14% price increases for the rest of this year but rather because we've seen in 2019 an important price increase that will earn through in 2020 and we see in the beginning of 2020 a continued momentum here. And everyone we talk to sees that or expects that this is going to continue, that will be a wind at the back in getting us down to the 98%.

A - Philippe Brahin {BIO 19081619 <GO>}

All right, thanks Vinit for your questions. Can we take the next question please?

Operator

Your next question comes from Michael Haid from Commerzbank. Please go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Good afternoon. Two questions, first, also I have to come back to Paris question, Japan exposure to Nat Cat. When I add up the Jebi, Tirami [ph], Faxai and Jebi's losses, I come to $2.4 billion. Your premiums over the past two years from Japan are I don't know, $1.5 billion gross and maybe $1.3 billion, $1.4 billion net earned premium. So it seems rather low now, you can say 2018 and 2019 were extraordinary, or you can say 2018 and 2019 were the new normal. So even if you achieve, say 10% or 20% price increases it appears not sufficient, this would give you a net earned premiums of $800 million [ph] from Japan. So what are your thoughts on this.

And the 97% normalized combined ratio for 2010, are price expectations for April and July renewals already included there. And second question on again on cost of the 105% combined ratio is you achieved significant price increases, you mentioned just before is 98% for 2021, then the end of the story or should you aim for even lower combined ratio for CorSo, after 2021.

A - Edi Schmid {BIO 18942809 <GO>}

So on your first one regarding Japan. So 10% or 20% is clearly not enough, the numbers you mentioned here. So I don't want to give precise numbers, but we're clearly going forward more significant price increases. The loss levels have been significant, as you did your calculation, correct, Jebi, Faxai and Hagibis. And as I explained before, we use these evidence to update the nat cat model for Japan.

We will still reiterate, you cannot look at the nat cat business in one market over a few years only. This needs to be looked over 10 - 20 years and there we clearly have made very decent margins in the Japanese market. As also obviously always these questions around is this a new normal. If you factor in climate change, and also this we started very carefully. What we actually can see in Japan that at this point, we are all in the phase of elevated natural frequency of Typhoon.

If you look at it over many decades there are also phases where we see a bit elevated frequency or lower frequency. And the last few years and those in the future, we think we are in that phase of an elevated frequency. You cannot link it directly to climate change, but we clearly see a higher frequency. And then all the learnings from the losses we factored into the model so clearly, we need to go for substantial price increases for this business to become a sustainable. But it's important to look at it over, not just a few years. It really needs to be seen in a much longer time period.

And your second question was around the 97%, to what extent further price increases are already factored in. So some are reflective. So what we achieved in 1/1, the 5% nominal with older corrections, as we explained. Of course as protection stand for the forthcoming renewals, we have not yet factored in the compensation for the year, lower interest rates.

Some of that we affected in but not all of it. But clearly, we'll push in Japan, but also in the mid-years and as we explained earlier, on the casualty accounts to get further compensated for the lower interest rates. So there's further upside. And some of that, we already baked in. Let's see where we get to.

A - John R. Dacey {BIO 4437051 <GO>}

Maybe I'll jump in again, back to the corporate solutions. I think it's a similar answer, which is, we've been pleasantly surprised by the pricing increase that CorSo has been able to achieve, also through January, we've been disappointed by the loss cost adjustments we've had to make. Let's see where 2020 takes us. We expect to be able to achieve the normalized 105%. If we have reason at that point in time, based on actual price increases and actual loss experiences to make an adjustment to what the 2021 target looks like we'll will do so. But for now I can just reiterate our strong confidence that we -- on the current trajectory we will get down to 98%.

A - Edi Schmid {BIO 18942809 <GO>}

Maybe if I can jump in, right. I mean clearly the one increase from last year, we had, of which only part has been in last year has been eaten up by these change in assumption in APLRs we have put through. But if you think about January 14% increase. That's on the lines we have kept. This is not the main lines touched by social inflation. So I think it's extremely unlikely that this would be eaten up by claims inflation in one way or the other because that's the remaining book of course.

So I think that makes us quite sure that the momentum in the market, the talk, there's obviously nobody talking about this is enough yet now. So there's continued momentum, people think this is a multi-year movement. So I think all of that makes us quite confident about the 98%. And to your question, I think we'll look where we go from there after that, but historically, clearly they have been phases where it was much lower than 97%, right.

A - Philippe Brahin {BIO 19081619 <GO>}

Michael, thanks for your question. Can we take the next question please?

Operator

The next question comes from Emanuele Musio from Morgan Stanley. Please go ahead.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi, thanks for taking my question. I have one question on Corporate Solutions. Could you please remind me the criteria underpinning the pruning in Corporate Solutions and also your adjusted, your appetite to a different type of risk. For example, smaller or more diversified risks, or is it purely based on the rate online appetite. And then lastly if you can remind me where you are with the pruning process? Thank you.

A - Edi Schmid {BIO 18942809 <GO>}

So on the CorSo pruning actions, I mean on the top, we have talked about it a lot already is the US liability space. And so in umbrella in excess and in the E&S these are lines CorSo is really exiting. And there is also other segments where they are significant improving. It's in the marine cargo space and it's also in the general aviation, space and in agricultural. So these are lines where we are either exiting or significantly proving. And then as the lines as we explained earlier that CorSo has demonstrated to have the necessary inside data to really differentiate and counteract in a good manner. So around property, engineering, these are the lines there we really push for the price increase. Pruning we have achieved about 25% of the plans in 2019 and until the end of 2021, we should have achieved about 90% of the pruning. Obviously it goes with the respective policy renewals. So that's the speed we can go. And then the rest will happen in 2021. But we are well on track to achieve this pruning which then also will go in line with some expense reductions on the other side.

So we are very well on plan with this pruning actions but it is really in these lines of business where we concluded CorSo has no action. It's just additional capacity to the market. So there we execute these actions.

A - John R. Dacey {BIO 4437051 <GO>}

Thanks, Emanuele for your question. Can we take the next question please.

Operator

We have a follow-up question from Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, thank you for the opportunity. The first one is on the dividend increase, the 5% dividend per share. I appreciate that's on a lower share count. So the impact on total dividend out is not that material. But given the pending sale of ReAssure, which has been a very healthy cash generator and bit of an underperformance from let's say P&C, Re and CorSo not producing the desired results, how should we think about the dividend trajectory going forward.

And the second is on the risk adjusted price quality, one element of the interest rate, which is 3.5 percentage points, to me that seems to be too high given the way the interest rates have moved. I mean of course it's come down, but 3.5 percentage point impact that kind of offsets the price increase that just seems too high, maybe there is something simple if I'm missing. But if you can just help clarify it would be helpful.

A - John R. Dacey {BIO 4437051 <GO>}

Yeah, so on the dividend, you're right. Vikram it's a 5% increase. We've bought back approximately 3% of the shares with the 1 billion buyback. And so it will be appreciated by those. The overall cost is not going up quite by 5%. The one observation is the strengthening of the Swiss franc means that our payment of the dividends in Swiss franc is a little more in those terms, then it would be -- had the US dollar Swiss franc a exchange rate remained absolutely stable. The Board discussed the dividend increase yesterday literally and is very comfortable with the underlying earnings and our ability to continue to fund not only this year but future years in a stable way. You're right, the ReAssure book was throwing off cash. We will be getting cash in at mid-year when the ReAssure transaction closes, but as importantly the continuing ownership of the Phoenix shares will provide us access to the Phoenix dividend which in recent history has been around 6% paid out of management.

So we'll continue to book that as long as we own those shares. In the meantime, we expect our Reinsurance business Life & Health, as well as P&C to do well and we expect to Corporate Solutions to return to healthy profitability in 2021. So I think in any mid-term plan, we're very comfortable with the dividend position.

On your second question regarding the impact of the interest rates. So the first is important things when we -- on the right cost of business, we always look at it on an economic basis which means the discounts, the future expected claims. With the increase we see at this point in time and 3.5% across the portfolio is high, but I would point out that the average duration of claims settlement in our typical P&C portfolio composition is about six to seven years. So the average claim is discounted over six to seven years.

And then also a small let's say reduction in the interest rate curve over six seven years, then you quickly to this 3.5% impact versus the upfront premium you charge then for these risks. So it's mainly obviously in the longer-tail lines, in the casualty lines. But even on property has a small impact. We have two years of claims duration. So if you do that calculation correctly the duration, it turns out to be 3.5% impact of the interest rate drops we've seen towards the end of last year.

A - Philippe Brahin {BIO 19081619 <GO>}

Thanks Vikram for your questions. Operator, do we have a final question. Another question.

Operator

Your last question comes from Ivan Bokhmat from Barclays. Please go ahead.

Q - Ivan Bokhmat {BIO 15378004 <GO>}

Hi, thank you very much. I've got a small follow-up please, one on CorSo, could you please update us on what's the capital position of the business, whether you anticipate a need to strengthen capital anymore. And secondly, it's on Life & Health, I mean in slide 46 in the presentation it shows some reduction in EBIT for Life & Health Division's although if you take away all the one-offs, there's is actually a 5% to 10% improvement.

I was just wondering if you could give some thoughts around the sustainability of the Life & Health business. And maybe some early indications for 2020. Like for example, in the US, this flu season looks a bit worse and we're hearing about problems in Australia from your peers. Thank you.

A - Edi Schmid {BIO 18942809 <GO>}

Yeah. So maybe I'll do the second one first. There is no indications that we could provide at this point in time with respect to the Life and Health on 2021. I think we got a broad portfolio across two different regions and there shouldn't be -- at least I've not heard of anything dramatic in any jurisdiction to date that would lead me to alert people.

I think the one big one-off in the 2019 accounts, which are on page 46 actually is referred to in the last bullet point, we found ourselves in a curious situation where Life & Health Re had written a series of treaties with Old Mutual, a number of years back. Old Mutual renamed itself Quilter and ReAssure we announced I think in August of 2019 sold its back book including the policies related to these reinsurance treaties to ReAssure.

That transaction actually closed with ReAssure in December 31 of this year and what it made was these reinsurance treaties automatically became an intragroup transaction. So it forced us in unusual moment to have to unlock a set of assumptions on liability side marking to market those liabilities with existing interest rates at the year-end. The adjustment was approximately a $300 million technical cost to reinsurance. We took the view that as a business is being mark-to-market on both sides we should go ahead and adjust the asset side as well. And so a similar amount of gains came through at the end of the year to affect that match. That's one of the reasons why the health -- life and health investment result looks as robust as it does.

But that's let's say, a technical correction to a problem that was -- came through as a result of the Quilter transaction for ReAssure. Obviously if things go as planned, we will not own ReAssure anymore in -- after the summer, but for these six months it's a in-house transaction now.

Your first question was in respect of CorSo capital, we did recapitalized Corporate Solutions at midyear, and that's also when we put the adverse development cover in place with the Reinsurance team. The combination of those I think leads us to believe the CorSo remains adequately capitalized to do the business, it needs to do the pruning of the portfolio as the 65% which we expect to come through in 2020, means that the demand for additional capital, at least on full-year basis is limited. And so I don't think we've got any expectation that there is any immediate needs for recapitalization.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Australia Ivan, I think there was a question right, I mean just that you know we are traditionally more long in the group life and not in the individual life, group life was it, I think in 2013. We had a loss there, but we could recuperate that over the last few years, because the market hardened a lot, now it's softening again and we have significantly reduced our position. The current issues are now in the retail market, right. Individual life disability and we're not a big player there. So it's not a huge thing for us.

A - Philippe Brahin {BIO 19081619 <GO>}

Okay. Ivan. Thanks for your follow-up question. We've come to the end of our Q&A session. So if you have any follow-up questions, please don't hesitate to reach out to the members of the IR team. Thank you again for joining today. Operator. Back to you.

Operator

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