Q3 2021 Earnings Call

Company Participants

- John Robert Dacey, Group Chief Financial Officer, Member of the Executive Board
- Thierry Leger, Group Chief Underwriting Officer
- Thomas Bohun, Head of Investor Relations

Other Participants

- Andrew Ritchie
- Iain Pearce
- Thomas Fossard
- Vinit Malhotra
- Will Hardcastle

Presentation

Operator

Good morning, or good afternoon. Welcome to the Swiss Re Nine Months 2021 Key Financial Data Conference Call. Please note today's conference call is being recorded. At this time it's my pleasure to hand over to John Dacey, Group CFO. Please go ahead sir.

John Robert Dacey {BIO 4437051 <GO>}

Thank you very much and good morning or good afternoon, also from me to everyone. I'm here with Thierry Leger, the Chief -- Group Chief Underwriting Officer, and Thomas Bohun, our Head of Investor Relations.

As usual, I'll start with a brief overview of the key figures for the first nine months that we published this morning. We're pleased to report a profit of $1.3 billion for the first nine months of 2021, despite the significant large loss of events and the ongoing burden from COVID-19. Driven by our focus on portfolio, quality in the disciplined underwriting, P&C Re and corporate solutions produced excellent results with a combined profit of $1.9 billion and reported combined ratios of 97.5 and 91.1 respectively.

P&C Re and corporate solutions delivered normalized combined ratios of 94% and 95.7% respectively and are both well on track to deliver on their ambitious combined ratio targets for 2021. Supported by strong underlying margins Life&Health Re achieved a profit for the second quarter in a row, in spite of the heavy burden of COVID-19 claims. The Group's strong return on investment of 3% was driven largely by recurring income as well as equity valuation gains with no credit impairments for the entire year to-date.

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Swiss Re maintains a very strong capital position with a group SST ratio of 234% as of the 1 of July. The 19 percentage point increase compared to the 2021 starting position of 215 was supported by first of economic earnings of more than $3 billion. As we move towards the end of a busy year and into 2022. We have confidence that our businesses can continue their strong performance, and we see opportunities to deploy capital at attractive returns across the group.

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

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Questions And Answers

Operator

(Question And Answer)

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you, John. And hello to all of you from my side as well. So as usual if you could restrict yourselves to two questions, and then if you have another question please rejoin the queue. Operator if we could start with the first question please.

Operator

The first question comes from Andrew Ritchie from Autonomous, please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi there. There's quite a lot of debates around the viability of property cas business right now. I was interested in the comments you made, I think it was John in the media conference this morning, where you suggesting your property cas business is still running at less than 90 combined year-to-date, and I wasn't sure if you're If you're trying to -- you're trying to suggest it is now adequately priced and you're happy with that because obviously, I think we do supposed to run lower than that on the normal, -- on more normal year. But what were you trying to tell us? You're trying to say that this is viable business is adequately price. We don't need to do a lot more work. Or what's your kind of thinking in terms of what additional rate or restructuring might be needed, across property cas business as an industry level. Second question. CorSo growth rate was quite a lot higher in Q3 than the first half. Is this always sort of back in growth mode now, should we assume that CorSo's now growing kind of in line with renewal rate at least from this point. Thanks.

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A - Thierry Leger {BIO 16674977 <GO>}

Andrew, this is Thierry, I will take your first question on property cas and John's reference that we are below -- despite all the losses still below 90% combined. I think that what you wanted to say with this is despite these very, very large losses and also being above our budget that still doesn't mean that this business is at this point in time loss making. So, by making reference to below 90, we simply said that the premium is still covering the losses. Regarding the underlying question on price advocacy of this business, we can all see the dynamics that are around in the market. We have seen the strong growth in secondary perils and it is very clear that on some of the new businesses, some of the layers more into frequency part there has been a lot of pressure lately, capacity is pulling back. And we are very clear since our Investor Day in November last year that we see particularly that space as not attractive on the price, not well-structured and still desiring price increases. So, we have a bit offer more differentiated approach I guess.

A - John Robert Dacey {BIO 4437051 <GO>}

And Drew I might have another piece that the, we're taking on the tail risk of the industry. We expect to be compensated for it and the fact that we're still profitable with a combined ratio lower, the 90, and what is a heavy, but not extraordinary year. I think shouldn't be a surprise to people. We understand the risks that were bringing onto our book. And as Thierry said, they're still important there's still important segments of this space which do need further price increases. We've been surprised as an industry frankly in a couple places again this year between the Texas storms in the winter, and more closer to home here, the floods in July in Northern Europe. So I think we would expect prices to continue to adapt appropriately. And when I say adopt, I can't think of a place where that would mean going down. But we also think that the Swiss Re -- has got the modeling capability and the expertise to be able to make money in this business, even when there's a heavy cat load. So that's the first question.

Your second on CorSo growth, it's a pretty straightforward answer. Actually we did this massive restructuring of the portfolio getting rid of a third of the risk in 2019 that's continued on. And finally has sort of expired as a drag on growth for CorSo here in the second half of 2021. So as we go forward the strong increase in written premiums will earn through. And I think not only should you see us grow with a price increases which year-to-date have been 12%, but probably even beyond that is we see some interesting opportunities for growing parts of the business as we go forward. So I'm not making specific predictions, but it shouldn't surprise people for us to be with CorSo in a double-digit growth mode and sort of the near quarters.

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you, Andrew. Could we have the next 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. Good afternoon. Thank you very much and congrats on the great result. I just had one question on the cash flow situation at the holding. If you could just provide an update, which as you did in the last year Investor Day of 4.2 billion and if you could provide something similar to that effect or some number there and also in the context of these 3Q Cat losses and how would that affect cat -- the cash position at holdings? That's the first question.

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Second thing is that also notable for us is the normalized combined ratio of P&C Re which is 94% at 9.1 [ph] stage. Could you comment a bit about whether any COVID frequency benefits here, you think so, in other words, if you have to think for next year, more pricing has begun to, but also economic recovery and how should we think about these two forces on this 94.0%? Thank you.

A - John Robert Dacey {BIO 4437051 <GO>}

So, Vinit I'll address the first question and Thierry will actually answer the second one. On the first question, we've not disclosed the similar holding company cash. What I can say is liquidity the firm is robust up and down the legal entities that are relevant and we are very comfortable with our cash position at the group level as well as subsidiary level. So, there's nothing to be concerned about there in spite of the losses that we are reserving or paying out here. With respect to that P&C Re normalized combined ratio, Thierry you want to take that?

A - Thierry Leger {BIO 16674977 <GO>}

So Vinit with regard to you are making reference to frequency benefits that we might once we normalize actually have profited from unusual reduction in nutritional frequency losses, which is not the case. We also generally on the man-made losses, this was not an easy year. To the contrary there were substantial losses, actually going on in the industry, that after COVID the reopening of the industry happened. Lots of industries are running at limits, which is very typical for property in those cases. You do find losses, so there was no such benefit that we could see.

A - John Robert Dacey {BIO 4437051 <GO>}

And clearly 2021 either the only thing I would say is some of the property losses in 2020 for CorSo were probably a little below and that's allowed us to make some adjustments to the reserve positions there. But on the P&C Re book, we don't think that there's any real benefit that's going to be ephemeral coming through and what we're reporting is a normalized for 2021.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from Will Hardcastle from UBS, please go ahead.

Q - Will Hardcastle {BIO 22230376 <GO>}

Good afternoon everyone. Thanks for taking the question. Two hedge [ph] first along catastrophe, second along solvency. I guess, I don't European plans -- the lots of the coming, -- significantly realized an initial market expectations. Any color here would be helpful. I guess, do you think it was due to a changing growth underwriting or a change in retro protection? Anything here that we should think about sustainable benefits that will help the book going forward as well. Secondly, on solvency also a positive trend, I guess,

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can you refresh how you view let's say 230% type SST level in terms of ability to support growth, but beyond that (inaudible) distribute. And what -- maybe what's the order of preference -- obviously you've highlighted growth deployment and then between excess shareholder returns and debt reduction beyond that. Thank you.

A - Thierry Leger {BIO 16674977 <GO>}

Will, I'll take you first question, John will take the second. And on our improved underwriting result, I think also if we can go back to the Investor Day in November 2020, where we said what we would do, so we at the time, we're looking ahead thinking that secondary perils particularly those induced by climate change, would continue to behave very rationally. And therefore, we said we would reduce our exposure to those levels. We also at the time, you remember, we also said we see social inflation as a big threat, and therefore reduce our exposure to large, corporate risks in the U.S.. So we did both of that. That actually led to different mix. So I would refer to the changes. We did much more on the structural side. And why as we always do improve our retro program that those changes to the rate of (inaudible) don't explain this improved performance.

A - John Robert Dacey {BIO 4437051 <GO>}

On the second question Will, with respect to the solvency, the 234 is a very solid number and obviously puts us in a much comfort -- more comfortable position than the 215. When we started the year, we have been very explicit I think, in our priorities for the capitalization of the group. The first and foremost is to remain one of the best capitalized reinsurers in the world. I think, we tick that box. Second is to be sure that we're maintaining and in some cases be prepared to increase the dividends of we've been telling you for all year long, that dividend, we believe is secure in the economic earnings that you see in the first half of the year should reinforce that, the third is to deploy our capital for new growth opportunities.

And frankly in all of our businesses we see this opportunity in front of us here in the coming quarters. And so I with a prices that courses achieving with the demand that our Life & Health Re business has both for the support of product launches in the primary market, but also some structured transactions which are being or in discussion. We think our Life & Health Re franchise can continue to grow and the P&C market which Thierry just alluded to, we expect some real price changes as a result of the losses that the haven't been incurred here in 2021. And in particular, what we thought was underpriced segments on higher frequency events on the aggregate covers on sort of poorly modeled perils should see better pricing and those better prices will evaluate whether we're prepared to expand into some of these places where in 2020 and 2021 earlier we didn't think we're adequately priced.

So that are the first -- those are the first three legs. The fourth leg is, if after reviewing the ability to deploy, we really find ourselves with excess capital than then yes. We don't need to sit on it. We're prepared to return it to shareholders. We've done that in the past, and we'll do that in the future. If that's the right answer.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

And next question comes from Iain Pearce from Credit Suisse, please go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi afternoon everyone, thanks for taking questions. The first one was just on the profitability of the cat book. Obviously the profitability for your book sounds very good, but I'm assuming the profitability to the industry, won't be at that sort of level. So just hoping you could sort of expand on the differences in Swiss Re's capital relative to the group, and is there anything in your exposures that's leading to you have a much more profitable book this year. And then the second question is just on Ida and the proportional lost share. Is this sort of lost share now, what we should be assuming for a North Atlantic hurricane for Swiss Re. It's just the size of the move in loss share is a bit more than what would be implied by the movement in the P&L that we've seen this yet. So I was wondering if you could touch on, what do you think this is a more normal level now?

A - Thierry Leger {BIO 16674977 <GO>}

Iain, I'll start and John will add to it. So, on the profitability of the cat book, indeed we think that thanks to the changes we made to our cat book early in the year we are actually, -- we have been able to avoid losses. We have also said that, we have avoided losses in the mid triple-digit range, so that's the degree but it's an estimation because difficult to estimate losses to aggregate of course. But that's what we think we have avoided. We think we are in a very strong position. John alluded to it. We also from a capital position in a comfortable position. We think we have a good well -- very well distributed book of business in cat and we are ready for next year to actually grow our capital allocation to that business, if the opportunities come our way. We are optimistic given current market dislocation in certain spaces that we watch very closely that this will be possible. So we enter 2022, I think on the back of very strong liability book in general and are very confident. Therefore, to be able to profit from the opportunities that will present themselves next year, by the way across all our businesses. John, if you want to add something to this one?

A - John Robert Dacey {BIO 4437051 <GO>}

Yeah. Maybe just the specific questions around the Ida. Ida was a bit of an odd storm it ran up, obviously did a lot of damage near the coast of Louisiana but managed to miss the major metropolitan areas the damage both to New Orleans and Baton Rouge what was surprisingly light and then it had this tail in the Northeast. You won't be surprised to know that not only do we model hurricanes, but we actually model subsequent rain -- hurricane induced rainfall that matters especially in Japan with the typhoons but it turns out that it matters in North America as well.

And so it wasn't surprising to our teams that you saw this kind of flooding that hit mostly personal lines and actually a surprising amount of motor damage as the flooding was not necessarily coastal, but rather in areas where homeowners or commercial lines floodings would not necessarily be in force. And so these losses typically are not reinsured, but if

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they are reinsured, we I think prepared ourselves to be sure that we're at a higher attachment point where they didn't necessarily kick in, in any material ways.

So to your specific question is this the rule of thumb for future North America windstorms? It's a little complicated. I'd say on this one in particular, the nature of the losses managed very well within our book. We did not have -- we had actually de-minimis exposure to Louisiana specialists which also had us avoid some of the damage that was done by wind and in the state. So as we go forward, we're in a range this was towards the lower end of the range that historically has been there. But at least with the current underwritings we have, I'd say you should expect that we were a little better protected against some of these extra losses or add-ons than people might assume.

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

Operator

(Operator Instructions). The next question comes from Thomas Fossard from HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, good afternoon. One question regarding the 2022 outlook. Some companies have already laid out well into the mid teens top-line growth expectations on the P&C Re side would be interested. I mean, it seems to be that you pretty reading your press release, and here listening to your comments, seems to be that you're pretty optimistic for next year. So we'll be interesting to better understand what kind of growth rates both in P&C Re and Life Re, you're shooting for next year. If current market conditions were to prevail, and the second question would be related to the Life & Health Reinsurance results. Actually very strong printing in Q3, supported by in force transaction, but it seems to be that since Q1 actually the experience and the underlying profitability of the book has been running probably better than you were expecting. So I was wondering if you could update us on the (inaudible) 10% to 12% return on equity based on 8 billion shareholders equity. I mean, it seems to be that we are starting to head slightly higher now. So any update on that would be interesting. Thank you.

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A - John Robert Dacey {BIO 4437051 <GO>}

Thanks Thomas. I'll see what I can do here. With respect to the growth of P&C Re in 2022, I don't think we've got a prediction. We would expect for pricing to be rational if pricing is rational we will see opportunities to write a bigger book of business and look forward to that opportunity. But we don't exclude the possibility that somehow it goes otherwise, what we will say is there seems to be some pressure in the retro market which might guess make constrain some of the people that rely on their balance sheet less than we do to be able to grow new business. So I think we'll see what that dynamic is. We are committed to be important and reliable partners to our primary insurance clients over not just years, but decades and we will continue at rational pricing to deliver the covers that they're looking for. We'll work with infrastructures that work for both of us both of us and so if that provides the opportunity for a strong growth, we'll take it, but we'll just have to see where January 1 and subsequent renewals actually land us.

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On Life & Health Re, I'm probably a little more optimistic. I think, we've been able to grow again 10% year-to-date that book of business. Some of that's been flattered I guess by foreign exchange. But what we see there is a can continued demand as a number of European and US companies continue to restructure or adapt their own business models for us to be able to help them, do that as well as a real demand for protection products, which is our bread-and-butter around the world, emerging markets in particular. So the skill set that we have, the expertise we have is being called upon by and by primary companies to help them develop a broader suite of products, which address mortality morbidity. So I'm probably a little firmer in the expectation of continued growth there.

You mentioned Life & Health profitability, and we acknowledged that the 899 in nine months is a higher earnings and a higher return on equity than we've guided the market to two observations. The first, which is reiteration of what we were talking about at the mid-year, the allocation of mortality losses between COVID, and the underlying business remains a bit of an art compared to a science, we've reflected largely what a primary companies have allocated the losses to with respect to COVID but that might be understating the some of the mortality experience of the broader portfolio. So I think the precision there of what's COVID and what's not COVID at least on the margin is an area which may result in a flattering of the non COVID performance. The second thing in the third quarter, there really were a series of one-offs which helped the quarter but probably are not likely to repeat at least not in a predictable manner from management actions. Some of them have been quarters in the making some of them came up during the course of the third quarter, but I think the guidance we've had unfortunately for you of 10% to 12% remains in force for 2022. We do have some challenges in the United States with a cohort of life policies with a potential crossover, which should be seeing their last year of economic challenges for the industry in 2022, but the other way to think about this is we would target a income that's probably closer to 800 million for a year related to that 10% to 12% return on equity is a reasonable approximation for the coming year.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

We have the follow up question from Will Hardcastle from UBS. Please go ahead.

Q - Will Hardcastle {BIO 22230376 <GO>}

Thanks. You made the comment secondary perils are underpriced. You clearly taking a lot of action here, and you continue to see capacity pulling back. I guess it is a bit hypothetical, but in a world where about everything has a price, can you give us any sort of crude estimate of just how much is underpriced? We probably thinking is 10%, 20% or 50%. I know it's different my line of business, but just at what level we should consider Swiss Re stepping back in to take advantage of a potential opportunity. And then the second one is the inflation debate, which is heightened in recent months.

More than Georgia, this is, yeah, it's forward-looking on the circle to a longer tail lines. I'd be interested in a perhaps you've experienced anything already on the current portfolio,

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whether it'd be on the shorter tail side or not, and which lines of business we should think about or where you're actually would be looking under closer scrutiny, in an inflationary environment? Thanks.

A - Thierry Leger {BIO 16674977 <GO>}

Will, I would take your first one and John the second. So what price is required, one is the required price and the other one is the price you think you can get in the market. So, that's hopefully very different. But I will answer your question more technically, maybe. I mean technically, what we said in November last year with regard to secondary perils. Technically what we said is that there are some structural issues. So some of the covers that we were placed in the market were in a frequency space and exposed in a way to secondary perils that has no price in our views. So on those, we will continue to abstain and so John referred to being ready to potentially grow into some of the space that's not the space or what you're talking about is our areas where we think there is a price and the price increases required in those spaces are substantial. Definitely they can be above a 100%, it can be about 50%, they're very, very high to make those (inaudible). But again, as I said, we also have to work on lost definition closes, these are tricky areas. We have to look at look at where those, what type of secondary perils they are. We still believe that certain perils that are particular exposed to climate change, such as wildfires, hails certain torrential rain falls. So, those areas or treaties particularly exposed to these independent on where they are in terms of structure will probably remain close to (inaudible) still in our view.

A - John Robert Dacey {BIO 4437051 <GO>}

And maybe on the inflation side. Again, Thierry had some great commentary. I think at the Monte Carlo, describing the way we think about the framework, we think about this between social inflation, underlying core inflation and what seems to be a temporary or we expected to be temporary, but not completely so challenge on supply chain. You asked Will, if we seen any of this, and have we moved on it? Where we have moved on the all three is with respect to our costume models, and making sure that we're getting adequate prices for a different regime compared to what we saw between 2009 and 2020, four core inflation in most markets, as well as the impact of social inflation, which I arguably made adjustments for in 2018 and 2019 also with some of the reserved changes that you saw we made.

And the very recent claims experience, what I would say is one of the unpleasant surprises in Ida was with all this motor damage, the actual cost of replacements and potential repairs of cars was higher than people might have expected. And you see this more broadly in the U.S. motor experienced some very good companies are struggling with some loss ratios, which are out of line with what you would expect. And this is bleeding through into some of the losses on flooding related to the hurricane. So I think on a big, -- that's one place we came to an industry loss of between $28 billion and $30 billion in part because we were expecting this is going to be more expensive to rebuild in some cases, but also to replace a damaged automobiles but also other important damages that hurricane played. So it's a place where we've adjusted some of our models, and Will undoubtedly continue to evaluate are we sufficiently putting in place for net cats, the inflation that we should expect in the next four to six quarters related to supply chains.

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you Will. Could we have the next question please.

Operator

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

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Q - Iain Pearce {BIO 19522835 <GO>}

Hi, thanks for taking the follow ups. The first one which is on CorSo reserve releases. You mentioned some sort of frequency benefits to earning through potentially rates to COVID. How long should we expect this elevated experience to last? Or do you think the sort of frequency benefits are now fully being been recognized? And then the second one was on the sort of potential to be growing in retro in those higher mortal risk areas It's a plan to do that for the benefit of your own book or is the plan just to be seeding that out to your capital partners?

A - John Robert Dacey {BIO 4437051 <GO>}

So, I'll try these. On CorSo I think the benefit you've seen on the reserve releases has been focused on our property book. We've been more cautious in any releases related to casualty in part because we think the court systems in the US have been slowed as a result of COVID restrictions in 2020, but also in 2021 and so we are not been is -- I think decisive and concluding that these losses didn't occur or won't come through. That doesn't mean that I expect releases to follow but it does mean that we believe that we are well positioned to be able to bear real losses that might come through on a delayed basis in the CorSo book. In the meantime, I think the important messaging there is that the normalized combined ratios that we provided for CorSo is under 96, is cleared out all that benefit. And so the core activities of the book it has today is showing this improvement and we expect that trajectory to continue. Sorry the second question was growing --

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Q - Iain Pearce {BIO 19522835 <GO>}

On the book and how we would use a retro for (Multiple speakers).

A - John Robert Dacey {BIO 4437051 <GO>}

So the, -- we obviously access the retro market in many different ways. The alternate capital partners team among other things facilitates the issuance of cat bonds for our clients that want to go that route and we would expect that activities to continue to be robust as we go into 2022. We have our own sidecar, one of the largest in the industry and frankly, I think they were probably a bit relieved when they saw our lost picks for Ida in the ad hoc announcements we put out three weeks ago. So I think our investors recognize that we are sharing the economics of the group with them. We're not putting them at any particular disadvantage vis-a-vis the book that we underwrite, we underwrite our book for profit and so we think, we should be able to continue to grow our own retro capacity in line with well-priced risks coming in the front door.

At the moment, we use this to manage some peak risks, but also just to help with the book. I think we're optimistic over time about being able to grow our gross underwritings, grow the net, but also continue to grow the support by other people interested in sharing the economics of Swiss Re.

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

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Operator

The next question as follow-up from Thomas Fossard from HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, thanks for taking the additional questions. First one would be related to mortality losses. So you had pretty chunk of mortality in Q3. Some of that is through (inaudible) but just wanted to better understand what sees your scenario for Q4. And may be in to 2022, what kind of exposure should we think that you may get maybe in the first half of 2022. Anything on this would be helpful. And the second question would be related to your investment portfolio. Have you made any big changes or significant changes quarter to date, and I'm thinking specifically of the 14% liquid and cash position that you were holding at the end of Q2 as change of -- yeah, anything you could say about that. Thank you.

A - John Robert Dacey {BIO 4437051 <GO>}

Need to push the button. With respect to the COVID mortality a couple of thoughts. One is, as you correctly pointed out. We've continued to pay a series of claims first and foremost to the portfolio in the United States, which has been the largest single source of losses for us through the pandemic. In the third quarter there was also some significant losses coming through on what we believe is largely delayed reporting out of India and mostly delayed out of South Africa. Although that probably was in third quarter losses there as well.

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On a going forward basis which is point of your question. Two things, one is as the vaccination rates in the U.S. now reached about two-thirds, what we are starting to see is the people succumbing to the virus and actually dying as a result of COVID, are a slightly different population than what we saw in the past, and in particular seem to be less insured. And so we've adjusted our guidance, where we had said previously, that for every 100,000 of COVID deaths in the U.S. we would expect a loss of $200 million that's come down now to for every 100,000 deaths, a loss of a 150 million, and then we've actually set a range of 125 million to 175 million, because it's a little difficult to judge based on the data that we've seen in the last quarter or two quarters, but that seems to be the trend. So, fewer insured losses is related to this.

The other thing which I'd say is, the second peak in the United States, right the biggest first peak was obviously in Q1, the second peak in Q3 in terms of number of cases is falling dramatically through here, the October that the deaths are down from a peak of about 2,000 per day to 1400 per day, but that's still a lot. And so we expect this to continue to be a cost in this fourth quarter for us. The US related losses in Q3 were 170 million at least right now right now with what we see Q4 would be a smaller number than

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that. But to be seen as the pandemic itself continues. We would not, we won't be surprised to see some lingering mortality claims in the first half of 2022 in particular out of the U.S. We don't foresee other geographies at this point of time, presenting material losses to us, but we'll have to judge this as the pandemic continues its path and I'm not going to predict what that path might look like. What we can say is the P&C losses have become very small in the third quarter about $50 million in P&C Re and actual positive result of some event cancellation, reserves being released in CorSo for the quarter. And the fourth quarter, we've got no evidence that there's going to be any material charges coming through in P&C Re or in the P&C businesses.

A - Thomas Bohun {BIO 22165501 <GO>}

And on the investment portfolio and changes --

A - John Robert Dacey {BIO 4437051 <GO>}

Investment portfolio, I guess the answer to that is, we've remain at the cautious -- the spreads available on credit are remain pretty tight and so it's not providing us the incentive to jump in to credit in a big way. We've got a reinvestment yield of 2.2% in the third quarter. I think we're okay, not going risk on at this point of time.

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

Operator

The next question is follow-up from Andrew Ritchie from Autonomous. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, there. It's a very quick one. Am I correct to assume the run rate of losses or from investment in 2Q [ph] doesn't change, so I think is 200 million per annum. I think the higher loss in group center in Q3 was all down to mark-to-market effects, I just want to clarify there's no additional, and (inaudible) ramped up in a few new countries, especially China. I think this year, I just wonder if that's meant to run rate of losses has been higher?

A - John Robert Dacey {BIO 4437051 <GO>}

No, I can confirm that the 200 or between 200 and 254 years as a good guidance. And hasn't changed and you're exactly right. Into the mark-to-market market on a couple positions of been the challenge in group items this year. These are positions which -- and 2020 performed very strongly for us. There's been some refreshment [ph] but over time we've been very comfortable with these positions.

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you, Andrew, are there any more questions?

Operator

Gentlemen further no more questions.

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A - Thomas Bohun {BIO 22165501 <GO>}

Thank you all for all the questions. If you have any further questions please do follow up with the Investor Relations team. Thank you again and we wish you all a very nice weekend. Thank you.

Operator

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

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