Q1 2021 Earnings Call

Company Participants

- John R. Dacey, Group Chief Financial Officer
- Thierry Leger, Group Chief Underwriting Officer
- Thomas Bohun, Head of Investor Relations

Other Participants

- Andrew Ritchie, Analyst
- Ashik Musaddi, Analyst
- Emanuele Musio, Analyst
- Iain Pearce, Analyst
- Kamran Hossain, Analyst
- Michael Haid, Analyst
- Thomas Fossard, Analyst
- Vikram Gandhi, Analyst
- Vinit Malhotra, Analyst
- Will Hardcastle, Analyst

Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's First Quarter 2021 Conference Call. Please note that today's conference call is being recorded.

At this time, I would like to turn the conference over to John Dacey, Group CFO. Please go ahead.

John R. Dacey {BIO 4437051 <GO>}

Thank you. And good morning or good afternoon to everyone on the line. I'm here today with Thierry Leger, our Chief Underwriting Officer; and Thomas Bohun, our Head of Investor Relations.

As usual, I'll start with a brief overview of the key figures we published this morning. Swiss Re had a strong start to 2021, with a first-quarter net income of $333 million. This resilient result has to be seen in the context of the quarter that sadly witnessed the highest pandemic deaths to date in our two largest life and health markets, the United States and the UK.

Excluding COVID-related losses, the Group achieved a net income of $843 million. P&C Reinsurance reported a net income of $477 million, benefiting from significantly -- benefiting significantly from underwriting discipline and a continued price improvement in the book. The business segment was affected by large natural catastrophes of $316 million primarily due to the US winter storms in February. We believe that the recent portfolio actions taken on secondary perils, in particular, helped us to reduce these impacts. The reported combined ratio was 96.5% and we are well on track to achieve our normalized combined ratio estimate of less than 95% for the year.

Life and Health reinsurance endured significant COVID losses of $570 million driven by peak COVID deaths in the United States and the UK, as well as some other countries. Excluding COVID-19, the underlying business performed very strongly with an ROE of 16.8%. Corporate Solutions reported a net income of $96 million, a result of successful turnaround, which has been achieved. The reported combined ratio was 96% and we are on track here to meet our estimate of below 97% for the year.

Within Group items (inaudible) continued its strong track record of growth with gross premiums written in the core business, up 150% versus the same period last year. The Group reported a strong return on investments of 3.5% for the first 3 months of 2021, driven largely by recurring income and supplemented by gains on equities in the course of the valuation of those for the first quarter.

As for the April reinsurance renewals, we're pleased with the outcomes achieved. We saw overall volume growth supported by transactions of 20%, while nominal prices increased by 4%, more than offsetting the slightly lower interest rates and the higher loss assumptions in some of the sub-portfolios. Our year-to-date premiums renewed are now down 3% versus last year and we continue to seek out attractive opportunities which meet our profitability requirements.

Overall, we're pleased with the performance of our businesses this quarter, in particular, the strong profitability in P&C. We're also encouraged by the rapidly diminishing impact from COVID-19 on both our P&C and most recently in the current quarter on our Life and Health business with respect to the largest markets.

With that, I hand it over to Thomas, who will take us through the Q&A.

Questions And Answers

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you, John. And hi to you all from my side. Before we start, if I could remind you to restrict yourselves to two questions and then rejoin the line if you have additional questions.

With that, could we take the first question, please, operator?

Operator

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

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi there. First question, John, you benefited a lot from the underwriting actions in the quarter. I'm guessing that would be particularly your reduction of aggregate reinsurance exposure. I don't know, one, could you give us a little counterfactual, what could you think your cat losses would have been as you not taken action or if you can't give us that, just remind us what remaining work there is to do on reducing that exposure? I guess I'm just trying to understand some of those contracts have seen deductibles used up in the quarter because of tax losses, and therefore, could be more on risk as we go into wind season and I'm not sure where your remaining exposure is there in that? And how comfortable you are? How much more work you still have to do on that?

The second question is this now, you sounding the all clear on P&C COVID losses as in we should forget the guidance of up to $500 million, which you gave for the full year? Thanks.

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

So Andrew, I'll take -- maybe frame the question a little bit, if I can. And then probably, turn it over to Thierry, our Chief Underwriting Officer, who can help with a little more details. With respect to the underwriting, especially January 1, where we said we reduced the aggregates, we also were looking to reduce our exposure more broadly to what we've referred to the secondary perils by among other things, increasing the attachment point for our covers in excess of loss, and so this combination, I think has helped us. That's the first.

And the second thing is our overall view for the industry loss in the winter storms in the US, Texas, in particular, on Re are $13 billion, which might be a little smaller than some of the other players. Equally in New South Wales, our view of the industry loss there probably is more contained than what you might see otherwise. And so what we've booked for those storms ended up being a fairly minor amount compared to what the picture is coming out of Australia in the days where the flooding occurred might have indicated.

But Thierry, maybe you can help with some color.

A - Thierry Leger {BIO 16674977 <GO>}

Just to build on what you just said, John. So absolutely factual. I would just not be so specific with regard to aggregate excels. They were part of the reduction that we've been targeting. But the real target were secondary perils, as John pointed out, and anything too close to the frequency. So we also targeted very low layers, for example, and proportional business what we call top-down layers and so on. So it was a broader target that we had.

You also asked, what's remaining, right? And obviously, there is always something to do in a portfolio to make it better. But given that we didn't just start on one-one this year, but we did some strong work already last year. My expectation is that the big work is done by this point in time.

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

And maybe, Andrew, on your second question, with respect to the P&C COVID losses. Yes, the first quarter P&C losses were probably below where we might have expected them. I don't think that means we're all clear for the rest of the year. We think there may be some event cancellation charges, which still coming through. There may be some -- in certain geographies, some credit and surety losses otherwise popping up. What we feel comfortable about is that at least with everything we know, we've -- we believe our BI portfolio on property is well reserved. We maintain IBNRs for both property and for casualty in the P&C Re business above 80%.

So we'll continue to work with our primary clients to sort out what the actual losses really are there and book them accordingly. But I wouldn't say that there is nothing coming on P&C Re. I think we're probably a little more optimistic today than we might have been three months ago.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Kamran Hossain with RBC. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi. So I mean, just following on from Andrew's question about I guess COVID and that will clear on the P&C side, let me ask it in a slightly different way. Is it reasonable to assume that more than half the losses would have happened in kind of Q1 or large proportion of the $500 million you had kind of sites of P&C would have happened in Q1, and therefore, it's unlikely that you do hit $0.5 billion for the year? So that's the first question.

And the second question is just on I guess the Life Reinsurance business. Clearly, the picture in the US and the UK was dire in Q1 but seems to be getting a lot better. Once those issues really go away, once deaths slow down, I guess they have, do we stop worrying about COVID as an issue for the Life business? Or is there something that could surprise us elsewhere? Any thoughts on that would be really helpful? Thank you.

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

Thanks. So maybe I'll take a shot here, and again, Thierry can come in. With respect to the P&C, yes, I think there is some reasonable expectation of attrition during the course of 2021. The numbers we gave, which was less than $500 million across the lines of business was for the full year. We suggested that most of the exposure was probably in the first half on event cancellation, in particular. It doesn't exclude the possibility of something popping up.

But again I think, we're feeling better about the exposures and the likelihood of the losses now than we were at the beginning of the first quarter. I know you're looking for more precision. I think we could probably provide something at the mid-year results, where full half of the year is clear and we might have a better line of sight, frankly, on some of the other reserving positions on property, in particular.

With respect to Life and Health, you're exactly right. The curve has been bending down hard in the UK, first, and more recently in the US on actual deaths. There if you look month-by-month, December was the worst month for average daily deaths related to COVID in the United States for all of 2020. January was worse than that. February was still very, very bad and March started to see some improvements. And here in April, we're now down to less than 1,000 daily deaths in the United States and trending lower. The vaccination efforts clearly are being rolled out and being effective in reducing deaths and the overloads that you saw in those Q1 months with respect to hospitals and health systems, more broadly.

So I think this will come down. It's not going to go to zero. There will be a continuation of COVID-related deaths in the United States for some period of time, as the vaccines reach some equilibrium level of the people that one who got it, but some people just are not going to. So I don't expect it to be zero. But I think you should expect sometime towards the end of this year that we'll stop talking about it as a separate event assuming we continue the current path and that there are no new variants which are overwhelming the current vaccination efforts.

Thierry, I don't know if there's anything?

A - Thierry Leger {BIO 16674977 <GO>}

No, nothing to add. I think you said it very precisely with regard to the Life and Health COVID that defend the world's rather worse. And we were expecting March was rather better. And right now, UK and the US because of the vaccination efforts are actually rather positives for us. But -- and those are two countries we have major exposures, obviously, but it's far too soon to make predictions at this point in time

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Will Hardcastle from UBS. Please go ahead.

Q - Will Hardcastle {BIO 16346311 <GO>}

Hey, afternoon, everyone. Can we get a bit more color perhaps on how the net written premiums have developed at this stage? You mentioned at the full year, you look at using more retros. So should we expect the reduction of the net levels to be a bit worse I guess in the 3% year-to-date on the gross level? And should we expect to see any more material volume reductions later renewals like January or is April more to one that we should run off going forward as a baseline? And then perhaps thinking about April renewals, can we get a bit more color on what made up that growth, which lines which countries? And how much of it was the regular premium? I think you mentioned just there was the odd one-off transaction perhaps just trying to, first, to get a run rate on regular volume growth within that would be great? Thanks.

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

So I'll ask Thierry to start on these and I'll jump in if there's anything that comes to mind.

A - Thierry Leger {BIO 16674977 <GO>}

Okay. So let me start with net written premium question. So as you could see, right, the prediction is not easy to make on the premium side, but to assume that we will hedge considerably more is not our assumption. And if we do, it's not going to have a major impact on the premium anyway. So -- but, of course, we are optimistic. If the opportunities to protect our volatility at the right price, we will do. But again, it will not have a strong impact on the net premium development.

Regarding the April renewals. So there were really the two elements that we have emphasized already over the last month. So we said the January renewals have been down, but, we haven't done as many large transactions as we would have done the other years. But we also said we would expect large transactions to come our way at some point. And so we had some of those now coming through and we were pleased about those and we think it's a good -- there have been good opportunities for us to put capital at work. So the margins are very satisfactory.

On the non-transactional, let's call it core business, we actually had a very good renewal on the volume side and the margin side. We've been building, and particularly, in Japan on a very strong renewal a year ago, and have been able to improve the portfolio further in terms of margin, but also the mix of business. Also, there we have done a bit of work around our exposures to secondary perils and low frequencies. So a very, very satisfactory renewal.

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

And one of your specific questions on geography. What I can say is that while the April renewals is dominated by Japan, we did see some opportunity to also book some important premiums in the United States on this April renewal.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

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

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, good afternoon. Thank you very much. So one topic I could ask on is on Corporate Solutions, where obviously the numbers look great and one comment is the reserve releases remain very high. The fourth quarter was also very high and 1Q was also quite high as I understand. And could you just help us understand, this comes from very recent year property book, how should we -- I mean is it still to come? Is it done mostly this reserve release in Corporate Solutions because usually, you don't expect many releases from? So that's the first question.

Second thing is just if I can follow up. So, Thierry, very clearly have said that the last call that NEP will not be as poor as the January renewals and obviously it's looking a lot better. How should the rest of the year -- will there also be some similar effects from the last one or two years business to be expected in the NEP? And are you comfortable with this kind of 5%, 6% sort of growth rate for the rest of the year? Thanks.

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

So maybe I'll do the first one with respect to Corporate Solutions. I mean you're correct that there was a positive prior year development from reserves largely in the property side, coming through on Corporate Solutions. I think the point here is we're very comfortable with the overall reserve position across all lines of business on Corporate Solutions book. We've been somewhat cautious about not over interpreting what has been a modest frequency of reported losses to us. We think there may be late claims development or reporting coming through. And so, we're not bringing everything into the current P&L on the expectations that there is still something to come. So I don't think we're being extravagant with the realization of prior year reserves here. I think in fact that we will -- we continue to be very well and strongly positioned, having learned some lessons in Corporate Solutions in 2017 and '18.

The second question, I'll come back to Thierry.

A - Thierry Leger {BIO 16674977 <GO>}

So, Vinit, on the premium growth rate and the expectations for the full year and how much we -- you should read from the first three months into what it means for the full year. So it's clear that the first three months have been profiting from 2020 business, that is now earning through. So the one-one renewals obviously they earn through in the first quarter only very partially. So that -- therefore, the growth we've experienced in 2020 is what has been part of the driver here. Other driver has been FX with some proportion as well. And, therefore, you know, when your question is can we kind of expect this gross impact to be the one for the full year. I can really not say but it does seem on the higher end of what I would expect definitely. So I would rather go into something flat for the year, but it's very difficult to say and will depend on the level of transactions that we see and the opportunities in the business.

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

Yes, I'd say both transactions. But also, I mean we do have some important renewals on June 1 and July 1 in front of us. And depending on what we find ultimately price adequacy there, we'll be happy to write value-creating business along the way. But for now, as Thierry said, the current 6% premium earned has been aided both by the book written in 2020, some multi-year deals and a little bit by foreign exchange.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Thomas Fossard with HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, good afternoon. Two questions on the Life Re side. And the first one would be on the top-line growth of the 13%. Also, if you could make some comment on what drove this growth in Q1? And what we should expect on a full year basis? Second question, ability to Life as well will be on the normalized -- of the adjusted for COVID to $17 million net profit, which looks to be, I would say, a higher run rate than the $200 million per quarter. So just wanted to also -- could you explain what has been the driver? Is there anything to flag on the underwriting side, on the expansion side or that was driven by financial specificities? Thank you.

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

Yes, so on the premium growth, we did find some attractive transactions in Life and Health also that we could book especially in EMEA that were assisting us. I don't know that we'll maintain exactly that level of growth through the full year, but we've got capital to deploy and our Life and Health franchise continues to roll, and we see a number of opportunities. So as the primary industry continues to do some restructuring, we can be helpful in positioning some of the portfolios that people are looking to move with. With respect to the ex-COVID performance, you're right, 270 is a big number. The 16.8% ROE is clearly flattered by a decreased equity base as the unrealized gains in the portfolio have shrunk because of interest rates rising. I think -- the way I think about it, we said in our guidance that we thought we'd be at the lower end of the 10% to 12% return on equity range in '21 and '22 based on an equity base of $8 billion. And I'm comfortable to continue to provide that guidance. We had a little bit of an unusual situation, where in almost every geography the technical result was modestly positive. But the positive oftentimes we see in some geographies a pleasant sum of minus and the technical result is not as universally strong as what we saw here, but this was pretty much across the board. And is it somehow helped by the COVID losses? I can't say that, but I can say that it might not have been modestly either. So the guidance we have out there for something closer to, if you do the math, 200 per quarter is probably something, which I'd suggest is consistent with what we've previously stated.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Ashik Musaddi with JP Morgan. Please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes. Thank you. I have couple of questions, if you can help me. First of all is how do we think about return on investment. It was pretty high at about 3.5%. So would it be possible for you to give some extra color as to where it came from, like, what is the recurring return? What is the unrealized gains on equities? What is the crystallized gains on equities and bonds, that would help? And any split in business lines would be very helpful as well. Just to understand how much of the strength in earnings are coming from this?

The second question I have is, going back to your lower cat losses this year. I mean, any thoughts on, like, whether you had just lower market share in Texas or where your market share, like, normal. It was just highlight recession? Any thoughts on that would be very helpful as well? Thank you.

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

Ashik, I'll let Thierry -- sorry, I'll let Terry do the second. On the first one on the return on investments. Yes, I mean 3.5% is a very, very solid number. The underlying a number of 2.1% is our new running yield definition. I think the difference between the two was not the result of a bunch of realized gains that we went out and sold either fixed income or equities but rather largely driven by valuation increases across our equity portfolio, some of that in the principal investments portfolio. Some of that in the private equity portfolio, which typically gets booked or comes into our books with a three months lag. And so, what you're seeing here is the fourth quarter for some of those positions a positive. Again, actually, the first quarter of this year has been positive. So there'll be a little head start as we go into Q2 with those private equity positions.

Overall, nothing exceptional there. And again, it was in the matter of us going out and pushing -- or grabbing a lot of gains on this portfolio. The US capital say that we have to do the mark-to-market on a quarterly basis and that's what you see. So, Thierry, on the second question?

A - Thierry Leger {BIO 16674977 <GO>}

Yes. So the winter storm in Texas has been actually a good example to demonstrate the impact of our strategy in underwriting. It's a secondary perils. So it's cost (inaudible), but it's one that we still try to avoid in the sense where when we say we want to avoid the frequency, remove ourselves from secondary perils then that's one of those. And at the level of the loss $13 billion, as mentioned by John, you wouldn't expect reinsurers like Swiss Re to participate to a large extent.

So the way we would design the reinsurance programs would be that our clients take rather a higher share of those losses. And our share of wallet, if you want, would kick in when the losses in the market get larger, so that's a very good example. And I can tell you that without the restructuring of our portfolio, indeed, our loss in the first quarter would have been larger from that Texas loss, but also from the Australian loss. So we could really demonstrate also internally that it had a very positive impact.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

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

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello, hi. It's Vikram. (inaudible). Good afternoon, everybody. I'd be interested to know if the Group has started deploying the excess liquidity, given how the yields have moved this year?

And secondly, if you can remind us on the hedges that are still in place on various asset classes that will be very helpful? Thank you.

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

So, that's actually one big question because of the -- my answer to the first is actually the second. We've done a fairly large unwind of the hedges during the course of the first quarter, continuing a little bit here in April. As we mentioned, we started the year with a fairly defensive posture. It seems a long, long, long time ago, but the month of January or the first week of January was a pretty eventful one vis-a-vis political situation in the UK and in the US. And so we were starting defensively. Those hedges have largely come off, since then.

But in doing so, we've been measured and the re-risking of the portfolio. And so, we still maintain a fairly liquid position outside of having reduced the hedges. If we see the opportunities to put those funds to work, we will. But in the meantime, we remain, I think, focused on keeping liquidity high and the duration were largely matched for the regulatory reasons with enough space at the lower end to be able to move cash if we need to move cash into some new opportunities on the asset side.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Emanuele Musio with Morgan Stanley. Please go ahead.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi, thanks for taking my question. A quick one on the combined ratio. The combined ratio that you reported this quarter reflects your initiatives plus better rates, it's not that (inaudible) throughout the year. So my question is, have you seen any tailwind in Q1 that might not be recurring, such as, for example, (inaudible)? And also on casualty, could you please give us an indication on how claim trends in casualty we look like this year versus same period last year?

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

I think we'll have Thierry take both of those.

A - Thierry Leger {BIO 16674977 <GO>}

Okay. So the combined ratio that you mentioned. And there was some tailwind we profited from, I would say, that is not the case. We've been actually experiencing results, very much in line with our expectations for the portfolio that we've built. We have been very confident with the portfolio, the mix and type of business that we have been writing. In terms of tailwinds, as you called it, right, man made losses you mentioned, they have certainly been at the lower end. We're observing still that space. We think some of it is helped by COVID, but the year is still very long and we will have to be careful to see how this will turn around when actually COVID is going away. So that's a space certainly from an underwriting perspective we watch very, very carefully.

Also, when we cost business, we are particularly careful not to take necessarily the experience of the last 12 months as an indicator for the future. That would be very dangerous. Which leads me to casualty, so you were kind of right to imply that somewhat in casualty, we've seen calmer month and we think that, particularly in the US due to COVID the courts were just less active. And that's one thing. But we also think that the industry and people were generally less active so many reasons why we have actually seen less of casualty claims. Now, underlying all of this our conviction, my conviction, is that social inflation, all the mega-trends that we observe has not changed at all. So we still feel that there is negative sentiments -- sentiment our large companies, if at all, that has even worsened during the COVID crisis. The COVID crisis on its own has offered its dramatic toll on people has offered or will offer when the courts open even more opportunities for plaintiff bars to claim against companies. So we are very carefully watching that space too, when the courts were open to see how that's going to go. We are looking at funding of the -- of this industry. And the funding is going up. And this would, therefore, take the combination of the funding, the COVID crisis and the reopening of the courts. There is no reason to believe, that this would remain at this low level. And it does support our strategy and strong -- very strong repositioning of our casualty book in the large corporate space, where we actually exited 60% of the exposures.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

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

Q - Iain Pearce {BIO 19522835 <GO>}

Hi, thanks for taking my questions. The first one I have was on the cat budget. I'm just trying to understand the moving parts of that, the cat budget is up 5% year-on-year, but obviously you've shrunk exposure to secondary perils, and sort of those aggregate exposures. So just wondering why that's increased up securities of AGP [ph] as well? And whether you think that is more conservative estimate?

And then also on sort of large loss exposures. With the cat budget going up and reduced exposure to secondary perils, should we expect lower market shares in the secondary perils events in aggregate exposures, but then higher market shares of the sort of more tail risk events?

A - Thierry Leger {BIO 16674977 <GO>}

Okay, I can start, and John if you want to add something. So the cat budget, obviously, is not just related to one perils such as TCNA or so. So it is an expression of all the business we write around all the perils. We've actually seen a healthy growth in many of the perils. We wish to write more of. I've told you over the last month, that we actually to the contrary very, very keen to go any of our modeled perils. We have peril -- modeled 180 perils.

And as I said, we're very keen to go though. So for me, the increase in cat budget, therefore, is very good news. And it shows that we actually improving our diversification of the cat book, which is the case, and accordingly the budget has moved up.

The question to secondary perils is all your remark, although that secondary perils -- our market share would have reduced to the benefit of the others is absolutely correct. So we have definitely strongly reduced our exposure to secondary frequency perils and increased our exposure to the modeled perils.

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

So I mean, just to reiterate. I do think the true tail risk of large events is something which we're comfortable reinsuring. And, yes, that exposure has grown, but it hasn't necessarily grown in any single peril. It's grown across a range of global potential events, as Thierry indicated.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

The next question comes from the line of Michael Haid with Commerzbank. Please go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much and good afternoon. Just one question on Life Health Re. As obviously, you've experienced strong premium growth. Some -- my understanding was driven by some transactional business, can you tell us how much is actually Financial Solutions business in particular solvency driven transactions. These usually come with a lower margin. And if I remember correctly, from the Investor Day, you said that you want to move down to what smaller clients but also an effect from that seen in the Q1 already?

A - Thierry Leger {BIO 16674977 <GO>}

Yes. I'm happy to take this one. So on Life and Health premium growth though the -- I think John alluded to it already, so it's been rather at the higher end of growth, definitely for us too. This is a risk pool business that we expect to grow over time. We see many reasons for that, societal reasons. There is this huge protection gap out there on the Life and Health business side across almost all lines of business. So that's clearly enough room to grow, but definitely not at this pace. So as you rightly point out, the differential in growth has been coming from large transactions. And no, they haven't come from Financial Solutions or solvency-driven deals. They have mainly been in the area of longevity and M&A restructuring-related transactions.

A - Thomas Bohun {BIO 22165501 <GO>}

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

Operator

There are no more questions at this time.

A - Thomas Bohun {BIO 22165501 <GO>}

Thank you all for joining the call. If you have any questions after this, please don't hesitate to contact the Investor Relations team. Thank you all. We wish you a nice weekend. And thank you, operator. Back to you.

Operator

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