Investor Day

Company Participants

- Andreas Berger, Chief Executive Officer Corporate Solutions
- Christian Mumenthaler, Group Chief Executive Officer
- Guido Furer, Group Chief Investment Officer
- John Dacey, Group Chief Financial Officer
- Moses Ojeisekhoba, Chief Executive Officer Reinsurance
- Thierry Leger, Chief Executive Officer Life Capital
- Thomas Bohun, Head of Investor Relations

Other Participants

- Andrew Ritchie
- Edward Morris
- Emanuele Musio
- Iain Pearce
- Ivan Bokhmat
- James Shuck
- Kamran Hossain
- Michael Haid
- Paris Hadjiantonis
- Thomas Fossard
- Vikram Gandhi
- Vinit Malhotra

Presentation

Christian Mumenthaler {BIO 6479864 <GO>}

Thank you very much, Thomas and a warm welcome also from my side. Good morning. Good afternoon. Good evening, depending on where you are all across the world. I hope you're safe and healthy in this quite challenging times. So I'm looking forward to a slightly different Investor Day. I hope everything will work fine today and that technology, I think we get all used to that will work fine. I'll give an overview of where we are before handing over to our Chief Financial Officer.

So first, what are the key messages for the day. So the first one is clearly that our balance sheet is very strong and that we're well positioned for growth. We see positive rate of momentum in P&C Re and targeted combined ratio, normalized combined ratio next year of below or equal to 96% from what we can see at this stage.

In life and health, we continue to focus on profitable growth, but at the same time put a lot of effort in managing the enforce as you know in gap, this plays a very big role. Corporate solutions is well on track to achieve the goals for next year in normalized combined ratio of 98% or below. iptiQ continues to show very strong growth trajectory, and so we now had this year a few data points for markets from similar ventures in the insured tech space and so we see a market implied evaluation of about $2 billion.

If you see the investment portfolio is well-positioned in this current low rate environment. And I'm thrilled that later on key to figure out Chief Investment Officer will have an opportunity to show what they've done, I think their team is stellar and has navigated this extremely well for the crisis this year.

We're committed to our capital management priorities that I guess all of you know very well. The first two of those are, one, to have a very strong balance sheet and two to pay an equal or increasing dividend over time. And finally, obviously in times like that, there's a lot of focus on the short-term, but rest assure that we continue to also think about the long-term, we continue to have significant investments into the long-term and we believe that to be successful long-term, it's going to be a mixture of being a risk taker which we obviously are today, but also provider of some risk insights, a good partner to help other people to take risk. And therefore we continue to invest significantly in all of those areas. This is not the focus of today's presentation, but I'm going to talk to that a little bit later on one slide.

So that's the key messages today and I guess the most natural start will be COVID-19, which is on everybody's mind today. So what we see in terms of impact on the insurance and reinsurance industry and what is response to that. So the first one, I think there's no question is less capital around obviously Q2 was worse, Q3, Q4 you see some better ratios probably due to financial markets getting back. But overall this year will leave its mark on the capitalization level of the insurance and reinsurance industry. And in that context for us it's really important to have this strong balance sheet, but also to reserve appropriately for COVID-19 to be on the safe side.

Then we see the global protection gap for the increasing in this difficult times which plays into the hand of our public private partnership solutions we have now for more than 10 years. That's the team that looks with -- off the government and see what can be done to mitigate the risk at the governmental level. We see increasing re and insurance demand with accelerated shift to digital channels, which helps us and is a reinforcement of our strategy on the iptiQ side, our B2B2C digital white labeling platform and then obviously unprecedented low interest rates, which we expect to stay there for longer, which means there must be a total focus on underwriting margins, foremost on underwriting margins.

Obviously, the fact that we had a sale of reassure, it massively reduced our asset risk, it means that we have a bit of space to re-risk and have a more balanced asset allocation going forward also in the other business units. So that's a bit the situation overall and now getting to the main drivers for the losses, for the insurance and reinsurance industry, which I showed I think at the end of Q2. So here you have an update. The first driver is here business closings in Europe. So they find their way in the insurance industry through policy wordings in primary companies, in which case some of them are not being very clear, because it's clear the intent was never to cover something like that, but clearly we see particularly in Europe, some unclear languages, which means that these losses go into the primary level and then through some reinsurance treaties to the reinsurers.

So if you look at the underlying driver here, this is data from Oxford -- University of Oxford. And then we worked a bit at the Swiss Re Institute. You can see the biggest business closures and the strictest ones were in Q2. So this is where we expect the majority of the losses to materialize. Q3 was quieter and you notice that we didn't increase our reserves in Q3 and then Q4 now clearly more activities, again this is a cutoff date of 9th of November, we see more closures, but we -- actually we don't believe, it's going to get anywhere close to where it was in Q2 in terms of the actual closures, but time will tell. Hopefully everybody has learned from the first wave and you can see that in the detail, the restrictions are less strict.

And then the other driver for insurance and reinsurance losses are of the excess mortality, for us mostly U.S. and England Wales. You can see here the light blue is England Wales, excess mortality with a huge peak in Q2 and then some normalization, back to normal levels. And then the U.S. already had these several waves. You're aware of Q2 was the biggest one, but also in Q3 there is some losses which we have booked in our GAAP accounts and Q4 is a question mark how high will that be.

As we get to Q4, obviously the underlying mortality expectation also goes up as you enter normally the flu season at that time. So it's going to be interesting to see how much of what we see now is going to be actual excess mortality. But clearly, I think, we would expect some losses also in Q4 from the U.S. So these are the main drivers we can see, hopefully to give you a little bit of insight into how we see things. And then, I go to the Q3 numbers in some details. This is a chart we showed at Q2 and so we updated it for Q3 and gives you a bit more insight into where we booked the additional reserves.

So you see the total of about $3 billion on the right side and you see the majority was booked in Q2 and then Q1, Q3 also some bookings there. You go one to the left, you can see the split between IBNR and paid and case reserves. I noticed there's a lot of attention to that split and the analyst community. I'll just issue a health warning here that -- it depends a bit how you define things. So I don't think you can just compare across different peers and I'll come back to that in the individual buckets.

So, if I start on the left side, event cancellation, it's clear many events have been cancelled. We have $681 million reserved. This is probably the one of the easiest part to estimate. Then we have business interruption, the hardest part to estimate, we still have a huge part in IBNR here, we haven't touched that in Q3. Credit and surety $175 million, smaller pockets, mortality $667 million. I think here is important to notice that there's two different ways you can define the COVID losses. You can -- on one hand, you could take all the people who have died, who were explicitly written that it's due to COVID-19 and that would be a smaller figure and -- but that's a definition you can take and some peers have taken or as we have done, we assumed that deviations from base mortality negative ones will probably also be due to COVID to underreporting of COVID cases. And therefore, our figure here is the deviation from what we expected.

Only the total will be the same, but this is more a definition of what felt into mortality buckets here and obviously in our definition, you will then see a higher proportion of paid and case reserves because we sort of go ground up, than if you just used the cases that have -- that were explicitly clear, it's from COVID-19. And then you have other line $427 million, that's a mixture of casualty, other lines, marine engineering et cetera, very difficult to estimate over there no or very little movement in Q3.

So that's a bit a composition of where we are today. I know there's a lot of interest to know what does it mean going forward Q4, Q1 next year et cetera. As we have reported for our SST ratio and SST ratio, we had to make an assumption for the next few quarters, but in that and we haven't disclosed that because it's highly uncertain we don't we don't know yet how many claims you're going to have in a next year, but this free billing here represents clearly the majority of this ultimate loss.

So maybe one word around the future. So I cannot give you figures but maybe some sense of how we see things and how it's going to be evaluated. So you can see here four categories, you can see how much we invoked by Q3 of this year as event cancellation.

The majority of the Q4 events was already booked in nine months -- of our nine months figures in GAAP, which means that in Q4 we'll obviously look at the events for next year and how much we have to take their. Corporate Solutions, Andreas Berger when he came mid of 2020 decided to exit that business. So, there's limited exposure in corporate solutions. Obviously, there's still some in reinsurance in next year.

And then in our ultimate assumption we have in our SST ratio, we assumed that a larger sport event will go ahead, take place without spectators, which is what has happened this year. So, I think we have a tense of the type of losses, we have to expect vis-a-vis the policy limits.

This is interruption, this is quite complex because it has these three layers, right, you have the underlying risk, so what is going to happen in terms of business interruption, then you have to transfer to the primary industry and then you have to transfer to the reinsurance industry and I guess the biggest factor here, especially the second bullet point is the one we control most is to transfer then to the reinsurance industry, we have all of this since about April, started to have all renewals including some exclusions for that, but this means that the Europe which is a 1-1 renewal is not covered yet or still covered this year, so, the biggest risk mitigant here is going to be the 1-1 renewal, we expect all or nearly all of these contracts to be renewed with an exclusion.

So, this would sort of cut-off the losses at the level between primary and reinsurance. But obviously, our own clients also doing that work, they don't have 1-1 renewals necessarily, so it goes for all the year. So they have also worked on changing the wordings as they renewal policies at the primary level, there's also some supplements that will be used up by now. So this mitigant at all the different levels. So it's going to be a combination, I think from lower lockdowns than in Q2, some policy wordings or some mitigation happening between the businesses and the primary layer and then the mitigations we put in reinsurance between the primary insurance and reinsurance.

Mortality, I think very hard to predict entirely depends on the development across the world but that we gave you the sensitivity of $200 million pre-tax losses for 100,000 excess debt in the U.S., which hopefully helps you through the quarter to estimate -- make an estimate, your own estimate.

And then finally the highest uncertainty pocket, credit and surety and other lines, this is very difficult to say because to certain extent, you could even argue it's not a COVID loss it's -- these are losses that could materialize as a consequence of the economic meltdown. That was a consequence of COVID. So, credit and surety very much depends on economic factors and disability business in the past in other countries also saw the impact from economic crisis, but how much this will be the case this time is very hard to say at this point in time.

So, this is more risks to flag and it will all depend on economic factors, vaccine deployments et cetera, et cetera. So, hopefully while this is not fixed figures that will have to be reviewed anyway, this gives you a bit of a sense of the underlying risks and where they're going.

So with that, I close with the topic of COVID-19 and I come to the different businesses we have and how I see them at this stage. So the disposal or the sale of ReAssure to Phoenix obviously was a good point in time to rethink how we want to operate as a group because it was a big part of the life capital business unit. We had since 2012 created very separately business units with separate legal entities et cetera, so a system that is quite separate that allows entrepreneurship in all of these business unit in view of this disposal, we came to the conclusion as an Executive Board and together with the Board that we should look at getting more synergies between those to be less extreme and having them separate, so we can clearly start to see some benefits of these three business units or businesses helping each other and trying to capture some synergies. So go closer to what we call one Swiss Re approach.

And this one Swiss Re approach, we have clearly reinsurance in the center at the core business, then we believe it makes sense to have a corporate solutions. In the past, goals and corporate solutions were more to grow to become big, to have economies of scale, ultimately maybe doing an acquisition, be a big player, I think this is unrealistic in the current environment and also longer term with the situation that we're in. So corporate solution is going to be much more specialized and focused and the main strategic assets they bring to the group is they're very strong relation to clients, to the corporate world, which otherwise we don't touch.

And we see more and more touch points between the different business units. So for example, corporate solutions gave access through their long-term relationships to BMW, Diner, et cetera for reinsurance solutions or the deal we have with IKEA, with iptiQ, also came only because corporate solutions knew the people very well and there was a trusted relationship.

So we see these three business units that we see more synergies between them and that's the direction we're going to take. And all of that is going to be supported by what we call the foundation, the group foundation where we try to get some synergies. We think certainly people are -- should be freely floating between these business units, people are huge assets in a company like Swiss Re. And then in terms of strategic assets there, I think, that's the same as in the past. We always stress risk knowledge, leadership are extremely important and embodied by the Swiss Re Institute. And Thierry Leger will talk to you later, then with this whole client access and imagery of clients, which is unique including to the corporate world as I said and then the capital strengths. And what synergies can we get there? You've heard about our efforts to minimize the number of legal entities, put them together, get some synergies. This is not a -- it's not a big project, but we have to publish that, but just as you understand the context of all of that. It's time to get some synergies between these businesses.

So now, let me go quickly through these businesses and start obviously with reinsurance. So reinsurance in my view has some four extremely strong competitive advantages. This scale is just a very big competitive advantage. And as Moses will talk to you later, they have done a great effort and that great success in scaling up the business without scaling up the cost. And you'd just get significant benefits from doing that in the last few years.

So scale is hugely important and then risk diversification, mathematically basically needs that you need less capital for the same amount of risk. So you get some benefit if somebody would have a certain return, your return on the capital will be higher, if you have this kind of diversification which is very large in particular between P&C and life and health.

And then you could say two softer factors, which are huge client access. Yes, of course, we have brokers in all of that and that's perfectly fine, the clients choose that, about half of the clients have brokers. But in all cases, although if there are brokers, we have more a triangle relationship with clients, we know the clients, we know dozens, sometimes hundreds of people at the client organizations. We're deeply embedded, there's a trust relationship in this triangle, you can ask brokers and the clients and we see this as a huge asset, also for solutions and for other things to be done, not just pure reinsurance transactions.

And then we through the size and scale and everything, we can afford to have our own risk knowledge, which in my view is a strong differentiator. So these four elements play a big role in terms of competitive advantage and where Swiss Re is. In all of that as I mentioned, the de-consolidation of ReAssure reduces the financial market risk of Swiss Re very significantly and gives us also a bit of financial flexibility in terms of A, growing if you need to grow a reinsurance, but also to rethink about rebalancing the asset side, make it more comparable to some of its peers.

So within reinsurance, P&C, when discussing with analysts and these community investors, I often get the sense that people say, okay, the market is not hard enough, it's not moving enough, there's some impatience, it's not good. But actually if you look at the underlying figures, I'm not sure everybody's aware of where it is, I think thanks to this enormous scale and diversification. Actually, if you look at this year, the underlying business is really good. So I'll show here on this chart, the normalized combined ratio, which is by now nine months between 96% and 97%. And then, the normalized return on equity, this is obviously without COVID, but also looking at the ROI in a slightly normalized fashion.

And you can see that the underlying will be about 16% ROE to-date with current -- in the current rate environment, that's what we would have. So -- and I think that's not -- that picture is not the same for -- if you're a smaller scale reinsurer, if you don't have life and health, et cetera, et cetera. So this is -- part of this competitive advantage.

Now there is concern obviously on the ROI, the pressure that the reinvestment rate has on the ROI is clear, that is going to create pressure on that. And therefore here on this chart, I want to show, even the stress scenario, if the ROI was 100 basis points lower and you can see, will still be within the range or vice-versa, we would have to decrease combined ratio by 2.5 points to get back to the 16% we have.

And obviously, since this asset liability duration is about six years in P&C Re, this reinvestment risk will only eat into the ROI over time about six years. So this is the period over which you need to compensate with 2.5 points and I definitely think this is extremely feasible. So I'm very optimistic about this picture and as I said -- as we said, what we expect next year to be below 96% in terms of combined ratio.

So we think P&C in this environment, thanks also to scale, diversification et cetera can actually live in the current environment. And the interest rate environment means, we just need to push for further decreases in the combined ratio and higher underwriting margins.

Life and health. Obviously, we have a good track record now since all the remediation actions, we took a long while ago now. Even this year, we're just below 10% ROE, excluding COVID at nine months. Obviously, it has to be said that enlighten us the difference is pandemics are part of the risk profile. They thought about, they're in the risk models, they are in the costing, so this is sort of the natural catastrophe for life and health, if there's nothing to be ashamed of here to have some losses here this is paying families to continue for what they have paid, so this is in my view a different quality problem than what we have in P&C.

Obviously life and health is slightly stressed the next three years and there's very low interest rate environment you might see -- you can see the R is very high, so the ROE is under pressure, but we believe we can stay within this 10% to 12% range in the next few years. You could also see that reinsurance has done a good job in terms of growing, without growing the cost line, which means that in actually 2 points lower operational cost ratio than they had in 2015. So this is a massive strengthening of the competitive position.

Corporate solutions, I tried to find a simple picture to explain a little bit the repositioning. So we have two dimensions here. One is how many products you offer? On the right side is extremely comprehensive. Left side will be very specialized. And then from bottom to top, bottom will be capacity focused, we could say opportunistic, there is more the excess layered business and on top is expertise focused, you could also say client centric, it's more the primary lead type activities, where you have a relation with the client which is much stronger.

So in the past from pre-2012 to this period of '12 to '19, of course it moved very much to the right, so much more comprehensive product offering. But also moving with the creation of a platform, a primarily platform closer to the client. And the move now is clearly to go back on the comprehensive offering to get back to just the lines we feel very comfortable, we have a competitive advantage. So this is the whole portfolio pruning that is taking place and this is where we want to be only if we have a competitive advantage or obviously particular knowledge we have that allows us to operate, do we want to be in that line? But the push towards the client is continued, right? This is very important.

And I think all the growth we see now going forward must come from this primary lead, it's not just from opportunistic deals we can see in the market. And as I said, this is I guess the strategic attraction, of course for the Swiss Re Group. So being close to these customers, allowing the whole group Swiss Re access to these corporate clients.

Of course, it's well on track, I repeated every time, but for me, it's a pleasure to continue to repeat that. The portfolio pruning is on track as they have promised last year, the cost savings are on track as they promised. They both more reinsurance to manage volatility, price momentum is higher than we thought a year ago so 15% year-to-date nothing has changed, you still see very strong momentum in the corporate world.

Probably also, I think in part because Swiss Re was quite early, but others followed six months, nine months later. So there's still a lot of noise in the market, a little stress, a lot of bad results of the frankly that need to be compensated over the next few years. So I feel very comfortable about the development of this whole corporate market at this stage.

You could also see some favorable parity development now. So we seem to be in a good position in CorSo. If you look at these normalized combined ratio, and you can see nine months 2020 at -- nearly at '98. The obvious question we will get is, okay, why don't we lower the target for next year? And I guess, I answered already here, but still okay to ask the questions and maybe get more information from our CFO.

But basically, this year, there's a lot of uncertainty around claims. There's a very low claims activity, possibly because of COVID. We think it's due to COVID this normalization here is without man-made, so there's some good luck in man-made. So that's one factor. And the other factor is all the economic uncertainties next year in terms of also the credit and surety businesses, what does it mean et cetera? So there is a few factors that make us a little bit cautious here, but overall I would say, I'm very bullish about this business and where it's going for the next few years.

Now coming to iptiQ. Our B2B2C digital insurance platform, we've talked about it every year now, I guess it's more established. It continues a very nice growth trajectory. We now have over 500,000 customers, 40 partners in five markets. So it's basically life and health in iptiQ, its life and health in the U.S. and now we have also launched and have been worked on since two, three years on P&C insurance in Europe. So these are the three main businesses we have. And we can clearly see how the interest throughout this year, that is pushed towards more digital, people are more buying online. And so we see there is a further encouragement for us to continue on this path.

As I said, we also saw some valuations this year, some IPOs of the biggest inter-tech players. They have figures that are remarkably close to what you can see here. There's no pure life and health player, they're also not B2B2C, they're mostly B2C directly. But you can see here, the premiums will be over $300 million towards the end of the year, a CAGR of 75% over the last four years. Again very similar to figures you can see in some of these peers I would say. And then on the right side, you see the evaluations have been really high in the IPOs, the listed peers five to seven times premium and then in terms of the unlisted peers even a bigger range. So obviously you can make your own calculation. And this is just making a trial on our side to estimate the value for this iptiQ franchise which at this stage is $2 billion.

So I went through all the different businesses. Today's focus is a lot around, fixing things, where are we now, what we need to do, I think that fits where we are now and what we need to talk about. But I just want to have at least one slide to talk about talk about the longer-term, because it's always the risk in situations like that to just focus on the immediate and forget to invest for the long-term future and we're not doing that. We're thinking a lot about the future, where we'll go, we see the purpose of Swiss Re to make the world more resilient and there's obviously no lack of need for that kind of purpose in today's world.

And we intend to do -- make the world more resilient by putting clients and partners at the center, by offering them risk transfer solutions as all reinsurers do that's the classical way we help them. But we see also ways to help them take risk as we did in the past through risk insights and also more and more through partnering with them to take the risk. And you can see some of these names so in terms of risk insights, tools we have talked about for a long time like CatNet and Magnum, Life Guide et cetera. They're all there to provide to help our clients basically take some risks. And on the left side, I think you've seen a flurry of announcements through the last year or two, where we have partnered up with some of these big corporates to help them take risk or together take some risk or improve the value chain in the insurance.

So probably for our next Investor Day, so I just wanted to give you this glimpse into what we're doing and put this in the context of a longer term value creation for Swiss Re. So my last two slides around ESG, I think, you're all aware how this has become hugely important that actually comes a lot from the investment community. I've been active in the field for 15 years. So I remember making speeches in 2004-2005 with very limited resonance to be fair, but this has changed massively. And you're probably even more aware than I am that in particular through pension funds, long-term investors, stakeholders endorse the pressure of all of that has led to a complete change of thinking around some of these factors, put a huge amount of pressure on businesses. Obviously, some businesses are further ahead, but I can see now a lot of businesses who are probably on their own wouldn't have moved, they're moving now rapidly or some of them are moving rapidly.

So, there's a really huge movement in the whole corporate world around sustainability. And so, we have a certain number of commitments, we have made something we always strive to be at the forefront of things. On the operations, we have this net-zero commitment by 2030, we actually buy certificates, carbon certificates since 2003. So in that sense carbon neutral, but certificates are not probably the best way of doing things. It's just there's some question marks around that is not ideal. So there's net-zero actually means, we commit to pay the price to extract the CO2 from the atmosphere because ultimately, there will be no other way to get to zero than to have a significant huge industry around CO2 extraction from the atmosphere, otherwise, we'll never get to zero.

So, we estimate that it's going to be much more expensive than the certificates are right now probably $100, $200 per tonne is more realistic over time. And that's an industry that is not yet built. So net-zero and that's why 2030, we bet there will be possibilities to offset it and we're going to pay for that.

And then indirectly through the influence we have both on the asset side and the underwriting side, we have commitments net-zero on the underwriting side and asset side by 2050. So there is everything we influence will be touched. So that on the asset side, we have switched to ESG standards, but this goes much further, this goes into looking at the footprint of the companies, we have invested in and going to net-zero for the some of these companies. So these companies will have to get net-zero otherwise, there won't be in portfolio or you need companies with some negative, if that's possible contribution to have some -- which still have some emissions.

On the underwriting side, this is not -- this is a long-term pledge, but obviously we take actions in between so you probably read around our efforts or our new policies starting this year to exclude some players in the oil and gas industry who have the highest intensity of CO2 they use per gallon of oil produced for example, so the biggest polluters in the creation. So, we try to encourage those who have better processes and lower emissions. And then two concrete examples that we have done recently so as far as we know we're the first multinational company to announce a triple-digit real carbon levy internally, it starts at $100 per tonne, but will go up to $200 per tonne by 2030.

That's because, we estimate that at 2030 that's about the price we'll have to pay for extraction from the atmosphere of CO2. So this is going to be for example charged for flights, every flight will have this additional charge, so it's going to be embedded in a system where managers make decisions whether to fly or not, these calls will be fully embedded in their decisions.

And then a biodiversity big topic, I think a lot of people are aware that this is a huge challenge, but it's also a huge challenge for making more visible, tangible and linkage to the economy. So, we have put a lot of effort into this. We basically looked at the whole world, this is geo-coded. So in the whole world through our CatNet as I mentioned before, you can see at the different services that nature basically brings to you. So water quality or pollination service as they call them or soil quality, you can see that in a 1 kilometer resolution across the world and then based on those, we're able to make some correlations to the economic side and we were able to create some indices in countries and make some linkage so that you can have a reasonable dialogue with governments or the companies around the risk, that is in the biodiversity and the loss of biodiversity and these losses can be huge.

So, hopefully this gives you a sense of what we're doing in this very important topic of ESG, a lot of you show always a lot of interest. So it would be valuable to spend a little bit time on this.

And with this, I'd like to hand over to my CFO, John Dacey, who will lead you more through the capital side of things.

John Dacey {BIO 4437051 <GO>}

Basically about the capital generation and the strength of the balance sheet, a little bit of a highlight on the Alternative Capital Partners team and the great work that they're doing both in supporting our capital management, but also in supporting the growth of our businesses across multiple dimensions and lastly some information, which might be useful for some of our analysts on thinking about the future reporting for the group.

On capital management I think we've managed the COVID crisis extraordinarily well in our ability to maintain what is truly a industry-leading capital position and we're very proud of that, but proud of that also to the degree that allows us to move forward to grow and what are some very interesting market conditions that both Moses and Andreas will speak about this afternoon. But maybe a little bit of history.

Let's go back five years and talk about where our SST has come from and remains. The SST that we reported at the 1st of July is a rate of 223, that's above our target of 2020 and I just would reiterate that 220 is a target, it's not a limit, we will see in a moment that we've done a nice glide path down to that target as we've continued to be able to build some important parts of our business. But on this slide, I'd like to point out a couple of things. First is the economic earnings over this period, what's in the pillar number one here.

Over $12 billion in this period in-spite of the very difficult years we've had with natural catastrophes, some adjustments to our reserving and most recently here in 2020, the COVID losses. And I just reiterate the positions that Christian mentioned in the SST calculation that we have as of July 1st, we've included not only the COVID losses booked in the first half of the year the $2.5 billion, but also projection that we've made internally for what we think this is going to cost us into 2021.

The second thing is while we've repaid -- created more capital, a lot of that repatriation was done in the earlier years with share buybacks, the reality is, our actual economic earnings have been more than 130% of the dividends that we've paid. And when I talk about our capital objectives, you'll see that that dividend coverage by economic earnings remains absolutely critical for us and we are very comfortable with where we stand on it.

Lastly, as Christian said in the context of the ReAssure sale, we've done two things, one is we've been able to free up a material capital need overall and then specifically in the finance portfolio that we have on investments. I'll also give you some more details of that in a moment, but that's been able then to bring down the required capital. I'd say that as we continue to own a significant portion of Phoenix Group shares, we're frankly very pleased with the performance of those shares this year since we have had them since July. Over time, we'll see how big of a shareholding will like to own in the future, but for now, we've got the shares on our balance sheet and they are part of this risk calculation.

Again a historical view the capital generation we've been able then to see some very strong dividends from our subsidiary businesses up to the group. And the main part of this chart what you see is reinsurance over the years, especially in the early years before we saw the large increase in that kind of losses sent over $2.5 billion per year up to the group in their dividends. We also received a substantial dividends from Life Capital and yes, those will not be there in the future, but I think we expect our friends in corporate solutions as that business comes back on track to become a more material part of the dividend policy as well as our ability for the reinsurance business Life and Health and P&C to maintain a strong contribution as we go forward.

On the right side of this page, some information if we've not disclosed previously, but I just thought it was important after the third quarter results to reiterate. We did get a dividend up on the sale of ReAssure from the Life Capital segment of $1.5 billion. But that's on top of an existing free liquidity at the group level of $2.7 billion. So we've got a total today or as of nine months and nothing bad has happened to it, a $4.1 billion of liquidity available at the group level, which not incidentally is at least twice times, what the dividend we paid this year for the -- for group out to our shareholders.

I mentioned the glide path of our SST ratio. I reiterate that we've brought this down, we've told you back in 2016, '17, '18 though the position of the group's capital seemed overly strong to us and that we would bring it down. A combination of share buybacks, which we executed over this period and the increase of the ordinary dividend has allowed us to come closer to our target.

We're very comfortable with where we are at the moment, I will also observe that the MVM, identified in the bubbles at the bottom have increased materially since 2019, this is largely due to the reduction of interest rates in the last nine months, in particular, we've been able to manage through that and maintain this very strong SST ratio.

If I want to focus on what's happened in the last nine months, we started out with an available SST capital of $42 billion at the beginning of the year and the required economic target capital of $18 billion.

I've mentioned the reassurance sale, which is reduced that required target. The series of items, especially, the losses that we've endured on COVID itself, the payment of the dividend was already in there, so that's not a reduction here have brought us over to a reduced available capital, but also materially reduced required capital.

The other piece I'd mention here on the capital repatriation and might be surprised that we've only got a 0.1 negative amount here. The calculation of that is a combination of the abrogation of the second tranche of the share buyback, which is offsetting the reserving that we've already done for 50% of the dividend paid this year in anticipation of 2021.

So as of July 1, we've already on a pro-forma basis booked 50% of at least that figure. We'll see again the dividends decisions is -- will remain in the hands of our Board of Directors and then ultimately the shareholders but for now, in this calculation, 50% of that dividend is already been accrued.

Overall, the capital structure of the group remains conservative. The leverage ratio we've got is stable at 25%, that's the light blue line on the left side of this chart. We've been able to reduce our letters of credits utilized in life and health, is one of the reasons for that. We've also been able to take out the debt associated with the ReAssure business. At the same time, during the course of 2020, we were able to access the market of what we think are very interesting rates. We did earlier subordinated instrument of EUR800 million and we've also accessed the Singapore dollar market later in the year with another SGD350 million.

I think our funding capacity remains robust, the market is very interested in supporting us in any debt issues that we might have but right now again, we're very comfortable with the capital structure. I know the big blue bubble in the middle I talk about this often, we continue to have $2.7 billion of contingent capital available to us, it's not part of the SST calculations, but there's no requirements for us to be able to draw this down, should we see an appropriate need and utilization of it.

With that flexibility, I'd like to talk for -- give a little bit into the Alternative Capital Partners whose growth has provided additional flexibility for our capital structures. First, just remind you a little bit of the history Swiss Re Group has been active in the Alternative Capital market for more than 20 years. We were arranger in the structure of the first cat on in 1997 and we were a principal investor.

On this chart, we talked about two pieces that would continue in our book. In the first case, we have an inventory for a portfolio of securities in the ILS marketplace, that's grown during the course of this year as we've seen some interesting price opportunities for us up to about $1 billion, maybe even a little above $1 billion at mid-year of 2020. Most of these are tradable securities 70%. We do this business, in the first case where it's positive economic return, but this likely structuring on the right side of this chart also provides the opportunity for us to gain market insights. We pay a lot of attention to the Chinese, whilst we have to pay attention to but we're able as a group to be much better informed about the dynamics of the market especially around the U.S. natural catastrophe market.

In terms of ILS structuring and book running, again we continue to be a major player in this space. I'd note for example that in October we did a big placement for the California Earthquake Authority, I think about $775 million. Again, the total for the year at the first half was up to almost $9 billion of structuring and placements. So this is a core activity that the group of ACP continues on and is actually as you see growing.

In addition to these, we've got an ability, that's increased materially for our own management of risk within the group. And so what you see here is between 2018 and 2020, a significant increase both in our sidecar platform, but also the issuance of our own cat bonds to help support the growth -- the profitable growth that we've seen on the NetCat side of Swiss Re Group. This is largely for the reinsurance P&C teams, but I think what you see on the right side is the shortfall relief from the North American Hurricane, which is the main focus of this team to-date has been material is approaching $3 billion.

In the middle of this we talk about the development work that the team is doing to look to even expand the risk sharing platform. We've got the sidecar we've got some great partners that have invested significant amounts in that sidecar. We are looking to see if there might be some opportunities for more durable sourcing of capital to support these activities for the Swiss Re Group in an extended partnership. So, over the next quarters, I would hope to be able to explain that we've been able to find some -- in some of these additional capabilities.

Last, when we talk about the capital structure, the ACP team again has been able to help us think through the broader capital structure and the total capital relief that we've seen has increased by 75% over these last few years up to close to $2.5 billion. So what's required on the SST basis for what is a set of peak risks has been substantially adjusted downward, thanks to the success of the retro activities of this team. And as I said, we should expect that they'll continue to grow to support in a very symbiotic relationship with our reinsurance team and potentially eventually with the CorSo team as well.

If I can then -- bring you back to the group. Christian mentioned in his comments, the reduction of financial market risk related to the ReAssure transaction, here we give you some additional and new figures to be very clear on that of what's happened, if you look at the gray bar in the middle. When we think about the SST economic targeted capital on a pre-diversification and post diversification, what you see is the change between the 1st of January 2020 and the 1st of July 2020 adjusted for the ReAssure sale is a major reduction in financial market risk of $2.3 billion and a credit risk of another $0.5 billion, the color is a little tough to see here, but that's what the numbers are.

If you then go to the pie chart on the right side and look across the total shortfall by line of business. What you see is financial market risk plus the credit and surety, plus other credit added all together, totaled only 31% of the total shortfall risk that we're running in group. Now in some ways, we're happy with the growth of the underwriting risk we've got in our business, but I will say that this 31% is probably at a low end of any historical range that we've had, it also frankly as of the 1st of July reflects some of the caution that we've had given the market volatility in financial markets in the first half of 2020.

So I'm not suggesting that this is predictive of where the future is, we're likely to be more balanced and the risk we take, but we do have considerable room when and if our asset management team finds it appropriate to bring on additional risk which by the way will be a nice balance to the insurance risk that we think we can continue to grow in the markets.

An additional piece of information related to ReAssure is the structure of where the bits of Life Capital are landing and a post ReAssure world. And the first case I mentioned the Phoenix shares, they will be managed by our principal investment team, but however at the group level.

In addition, the iptiQ business, which Christian talked about will also be a group item, we expect to be able to provide you some adequate information to understand the dynamics of that business, at least on a semester basis and we'll update you on iptiQ itself at the full-year year results and certainly at six months on the first half of 2021.

In addition, there's a small business, Admin Re US which is in runoff, if you remember in 2012, the group sold the majority of Admin Re US to Jackson National. There was an additional small sale, I think in 2017 to our JV of another piece, what we've got left is a business in runoff that currently accrues about $150 million a year in premium. On average, it's looking to have about $25 million of profits with shareholders' equity of about $700 million, those will be part of the group items, not broken out in any material way.

And lastly, we've mentioned some quarters ago that elipsLife with the business related to some of the activities that we've currently got in CorSo on the -- with the IHC acquisition done four years ago will be contributed. The elipsLife portfolio is in the midst of a repricing and restructuring two strong world but adjustments of some of its activities, what we suggested here is in the near term, the earnings are probably going to be modest, we simply put down zero four-year models for the near term, but over time, I think you should expect the under CorSo's leadership, this will return to an interesting and clearly profitable business.

And then on iptiQ, what we've given you for the first time is a clear sense on sort of near to mid-term expectations of the new business strain for iptiQ which will be booked in group items of about $200 million U.S. dollars. So as we continue to build that businesses, as we continue to sell new policies and expand iptiQ, that will be a cost -- running cost. As Christian mentioned, we've got different maturities of different parts of that business, some will be breaking even sooner than others, but for the near term modeling that the $200 million new business strain is an appropriate charge that you should expect in group items.

Otherwise the rest of group items, which is the combination of the profits coming out of the principal investment portfolio that costs that are amalgamated at the group level and some licensing fees probably would bring you to somewhere close to zero for that piece. So on balance, what you see here the earnings before tax is at minus 200, plus 25 is not a bad starting point for estimating what group items might look like in the near future.

My last and final slide, two messages. I just want to reiterate, one is, our group financial targets remain in place, 700 basis points over the risk-free for return on equity, 10% economic net worth growth per share, you might -- we've heard people say that these don't seem very aggressive given the ReAssure transaction, I hear that, but you'll appreciate that in the context of working through the pandemic and actually missing these targets for the last couple of years, we'd rather have the ability to meet or beat these targets in 2021 and move forward.

The other thing I would say with the target as we've announced that we are going to moving from U.S. GAAP reporting to IFRS in 2024. We'll have to think about our targets in the context of a new reporting GAAP as we go forward. But again, that's not a near-term issue, that's going to be for 2024. Equally important on the right side of the capital management priorities, these have not changed, but simply to reiterate the first priority is to ensure superior capitalization, I think you should assume that we believe we're there with the 223% SST ratio. Again anywhere around the target of 220% would be a superior capitalization.

To grow the regular dividend where possible and if not at least sustain it, that's the second priority. The third priority is to be sure that we're taking advantage of growth opportunities in the marketplace where we think we can continue to build value. And then finally, if we cannot put the capital that we have excess capital to work then we repatriate further, that's been the basis for the share buybacks that we're doing up through last year. I think what we see right now in the market opportunities both for corporate solutions and for reinsurance you should expect us to be focused on certainly on priority one, priority two, and priority three, we'll see what happens in terms of our ability to get the priority four but it comes after the first three.

I think that's my last slide. And with that, I'd like to be able to turn over to Guido.

Guido Furer

It's a big pleasure to talk about Asset Management as that last section of this morning before we go to Q&A. No doubt, 2020 was a very special year and kept us, asset manager clearly on the edges of our chairs. This unprecedented volatility, which goes in both ways, up and down. That's all that makes sense to give you -- give a high-level overview what happened in our portfolio, expressed by this 5 KPIs, starting with the return on investment for the first nine months of this year of 3.4%, but this also coupled with the very low impairment, you see, it's just $27 million for the full year.

Now it goes without saying we wouldn't have achieved those figure without very severe action in the portfolio, it was portfolio restructuring, but it was also coupled with a very dynamically managed overlay program, which led to another important outcome. If you look at the number of fallen angel in our portfolio, it was less than 50% of what the market experienced. Again fallen angel is an important constituents for insurance industry because it's the break between investment grade versus non-investment grade.

We continue to serve on the ESG and again -- and coming back in a bit more detail later on, we produce another outperformance this year. Ultimately, we have a running yield. Yes, it's lower than last year. The two obvious reason are lower interest rate, the 10-year U.S. treasury chopped by another 123 basis point in the first nine months of this year, but also we exited certain sensitive sectors which also led to a slightly lower running yield.

But if you look on the summary on this 5 KPIs, I think it's fair to say this is a high quality portfolio, which again produced a stable return in very choppy, very difficult markets. This was thanks to active portfolio action, but it's also thanks to an ESG implementation which really works. We've used new technology this year and we work on a few other topics, which I'm super happy to report over the next 15 minutes.

We discussed about the first nine months of this year, but I think it's fair to say we should look at it as a long-term investor, that's why it's also good to have a long-term perspective about some of the performance figure. We all familiar with the return on investment and very happy to report back to the last five years, we could produce 3.6% on an annual basis.

Now, that's an accounting figure and in all the debate what is the right measurement and probably the total return on is a good one, that's why we took the analysis and looked how much basically we produced in our performance compared to so-called risk free portfolio. A risk-free portfolio in asset management context managing insurance asset is probably you look at the duration of your liabilities and also look at which currencies those liabilities are and take this as a risk-free benchmark.

Now Swiss Re co-produced 1.9% per annum over those kind of risk free portfolios and benchmarks. Now again, this is an annual figure, and it's the average of last five years. We also compared it to our peers and very happy to say we are considerably above.

Now, how much risk we have taken for that outperformance? I think a very familiar figure for the investment market is the sharp ratio. As we've measured this excess return of 1.9% over its volatility and we derived this a sharp rate of 0.8. That means, we haven't produced a lot of additional volatility that nevertheless could achieve a very solid basically excess return.

These are two kind of KPIs which is hard it's worthwhile to put into context, one is an accounting one and the other one is basically a total return but they're trusted for different currencies but also adjusted for different duration in respect of our peers.

Now the question is how does this go forward and we had a few references by Christian but also by John, yields will stay low, this is also our conviction, there is no way that we go back to something which is normalized in the short-term.

That's why it's so important to understand how you're currently positioned in the market. When we took the Liberty, we will show you the split of our fixed income portfolio. And the nice thing is and you see this on this slide represented by the blue bar chart, most of our fixed income is at the long end, that's almost 44% of our duration is placed into 10 plus year.

Now, if you couple this with the unrealized gain which you have in the fixed income again for 30th of September this year, it could show $6.7 billion unrealized gain in exactly this fixed income book. Now the logical question which I have and probably you as well when those unrealized gain basically matures. And the very good news is we have to wait for many, many years, because 72% of those is in the long pockets. That means about 2/3 and even slightly more of the current unrealized gain given not much view in the next 10 plus year in respect of duration.

That means the reinvestment risk and now we know we have very low yields, that reinvestment risk is considerably lower in our balance sheet compared to others. Again this gives us a lot of comfort that we don't see a sharp drop on the investment side, because that piece is very, very stable and will last for many additional years.

We also told how we can enrich kind of information to the market and we will next year 2021 onwards come up with the new figure which is called recurring income yield. Again, this gives you a forward guidance, which is broader than the running yield, which we expanding in respect of asset classes and again it should help you how the portfolio basically will develop just from a sustainability point of view.

But let me move on and look at the current portfolio and we mentioned the point, yes, it's a diversified portfolio, however, no doubt, we have a very high cash position. And this is liquidity expressed in this $21 billion, this is cash and short-term investment. Now there are two reasons why it has grown. One is clear, this was the de-risking which we have done, end of last year we started in Q4, but continued of course in Q1.

This also leads to the very low impairment figure. This was one reason for the high cash position, but of course also the partial proceeds from the ReAssure transaction also added to that time. I consider this as a strength in the current environment, because it gives you a lot of opportunity and optionality, which got referred before by my colleagues.

Now how looks the quality. Again, we make the mentioning for unrealized gain in the portfolio, but has the quality really deteriorated in the last nine months? The answer is no, you still see 95% of our fixed income instruments are investment grade and this pretty much unchanged. You see a very low portion to the below investment grade allocation of just 3%. 2% is basically not traded, but we talk about cat bonds and also some of the loans which don't have a rating, but quite often are investment-grade like. This remains a very solid portfolio.

Now what else helped us in the past and I'm pretty sure this will also big supporting going forward is ESG. We do it as a company, Christian has referred to in quite different context. I can look at it from a pure investment point of view. And we're going to show you what ESG means in an implemented way and Swiss Re has ESG implemented to 100% on the asset side and as you know we were an early mover and clearly one which went furthest.

Now the portfolio which you see here is equity, this is the dark blue line and we also show credit which is another very important asset class for Swiss Re in a five-year context and you see both have produced on a cumulative basis outperformance.

Now, it's very clear, if you look at the picture. The biggest outperformance comes from the most toughest time. In this very choppy market back in 2015, beginning of 2016 again we'll talk about default of certain sovereigns, we had to sell off in China et cetera. But of course the other key example, which is much closer are the last nine months and you see the sheer outperformance of ESG. That's why I can claim ESG is probably one of the strongest risk mitigation factors and we have done this since already a while.

You can express it in sharp ratio, again you find a few interesting figures on this table. But ultimately, it's not only a better risk adjusted portfolio, it let once more in outperformance. This year, the first nine months, we could produce an outperformance of 1.1% in our equity portfolio, thanks to ESG. And a similar effect of course, not to the same extent but the similar factors on credit, it's a 20 basis point outperformance in an investment grade portfolio, this is thanks to ESG.

Now, how should we go forward and be sure -- we don't rest on what we have achieved. We want to share with you key initiatives, we will make sure that we continue the strong performance on the asset side of Swiss Re. The build-up which has started in private market will continue, we have built up a very high quality portfolio in the last few years.

If I talk about our infrastructure portfolio, which we have started 2012,'13, we constantly grew it to a very high quality aspect. We will continue that track because again, we have preferred access to the market and we have established a unique network, which allow us to really kind of capture the most interesting transaction in the private market space.

Geographic diversification, that's kind of a natural DNA for Swiss Re, we are truly global. We have been global on the reinsurance side, we have been global on the asset side. I personally believe that these trends, we have a footprint which goes across Europe. This helps us to capture attractive investment opportunity in other parts of the market. We clearly see very different market development, very different outlook, and we know some of the markets look much more promising than in the past. This helps us to take part of that. I think about high growth market, China is an important market for us, we have a presence. This is just one example which clearly allows to capture some of the more opportuned outlooks.

Swiss Re has started to work with so called semantic investment and semantics investment means you have moved away from the asset allocation thinking of the asset class thinking. We started with that a while back, infrastructure is a good example various somehow asset class agnostic but we need to save on ESG and save implemented ESG across the full portfolio this is true for all asset classes. And what we see which we believed in and we were able to implement it in institutional portfolio like Swiss Re successfully. There are the teams and again, we are now in the deep dives and preparing for the next big waves. We clearly be focused on things where we believe we have propriety insights. Swiss Re is one of the biggest life and health carrier global.

It's clear that we see things earlier than other investor. And again, we should be leveraged also on the asset side. That's why one of the themes which we identify is healthcare, but pursue also digital infrastructure. This was successful so far that we kind of picked long-term trends early on and try to implement institutional portfolio successfully. Technology, yes, it's a big investment topic, but we know this is also a great tool, it enables our performance. We make heavy use of it, again it helps us to digest big data, but also see trends much earlier which is important signal to make -- for making investment decision.

Let me show you an example, early this year, we developed so-called of course what we expect else so-called COVID-19 Tracker and you see just kind of an excerpt that tuned in area with the few, call it quadrants. And those quadrants shows you, it's quite some fragmentation. It's fragmentation about the beyond the different areas. You see much more reddish in the China, kind of APAC area, but also very different size of the quadrant is backed up sector.

This was one of the tools which we developed, it help us to see not only the wave which of course started in China, but also we saw where it arrives at which point in time. And this was in February, this screenshot and you saw U.S. was pretty much green and of course, we knew this is probably temporary because this wave, we saw going through the whole globe. But also we saw which sector mostly suffered? This was a perfect management information system, which we used to make decision, both in the underlying portfolio but also how we structured the overlay, both in respect of timing but also in respect of sectors.

These are examples which we didn't have five years ago, and it's clearly an advancement thanks to technology, but also do understand how you basically implement and how you apply it to institutional investor context.

Now I can't leave you of course without an outlook, I think that's probably is expected. Now the world it's not the easy that -- that's an obvious one uncertainty remains. However, we believe there's some recovery on the way, it's a choppy recovery and we still see considerable downside as well as upside risk.

However, it's a more balanced upside and downside risk aspect. This is clearly also thanks to advantage that you have seen not only on the vaccine side, but also on the policy side. Monetary and fiscal policy is bigger than ever and we talk about 10 times on the fiscal side compared to '08, '09, which is another good example 10 times bigger. And also on the monetary side, this will not disappear, all signals which we hear suggests this will stay. That means this kind of backstop is probably a factor, which has been complemented by other slight positive development.

Now what we will come to you focused on is the quality of the portfolio. Again, we want to be a reliable investment portfolio provider, but also we want to make sure that we use the sustainability and the power of the balance sheet. We know the differentiation is always important, I'm convinced differentiation is becoming even more important in every respect. It's not only geographically, it's clearly also the way how we approach things.

Now, how I go with this outlook. I start with a high quality portfolio. Again, it has been shown this year in last nine months, but it has been shown in the last five years. I believe, we are perfectly positioned for a more constructive outlook. We have a lot of optionality in our portfolio. We have 21% cash in short-term investment, which is as liquid as it can be.

This coupled with the constructive investment outlook, I believe, we can capture some of the value drivers, which we have identified, value drivers, which are through differentiating both the way how we position the portfolio, but basically also the tool which we apply. And hopefully this seems, which have been worked in the past in respect of semantic investment will continue to pave this part to the outperformance, which we could show in the last few years.

With that, I would like to hand over to Thomas for the Q&A. Thank you very much.

Questions And Answers

Operator

(Question And Answer)

A - Thomas Bohun

The lines for the Q&A session, and we'll just have to wait a few seconds for that. Please restrict yourselves to two questions. Looks like we have first question from Kamran Hossain from RBC. Kamran, please go ahead. We're not yet hearing anything --

Operator

Mr.Hossain, your line is open. You may ask your question.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, sorry about that. The -- yes, I have two questions for Christian. I guess in the last few years, you're focused on divesting ratio of fixing also what is your number one priority at the moment? You did mention fixing during your session, but what's your number one priority there? And the second question I guess, thinking very long-term about iptiQ, it definitely feels like there's a different pool of investors between insurance and what is perceived to be tech. What's intention for it to be kind of crystallized value via some kind of spin-off in the future, kind of realized that $2 billion or is this developing economic value or earnings going forward? Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Okay. Thank you, Kamran. Good question, so I think the absolute priority for me is on the underwriting side and the fixing of the underwriting or get CorSo and P&C reinsurance back in embedded territory. Clearly have been issues there, I feel extremely comfortable about where they are, but that must be the number one attention. I personally think CorSo is kind of surprise on the upside over the next few years. You can see the markets going up higher than what we saw it, but you have to stay on top of that in a very obsessed way.

So to me, that's really the number one and then you could say this is short-term, but for me that's the next two to three years, that is super important. There's other parties, but to me, that's the main focus. iptiQ, yes, I think yet now it is in the phase, where you're absolutely right, it could be a different profile and obviously, we sort of count on that, our investors will have the patience and will understand that this will add to the economic valuation and later to the gap of the Swiss Re group. So you obviously have the investment phase, then I think the first thing that's going to happen it's going to create economic value, so it's going to be accretive for SST, dividend, et cetera, that's going to be first. And then over time, innovatively right? Even if I run it off, it will create some GAAP profit.

So I think definitely, it's so large that at this point in time it will be crazy to give up on it. I think, there's no -- I can't see any theoretical limits to what it can achieve, this is -- basically, this all these brands out there, there's lot of clients who cannot invest hundreds of millions in creating a digital platform. It might change in terms of strategy, but I think at this point in time, it would not be attractive to even at $2 billion, right? To sell it or IPO it.

So to me, it's just having this long-term perspective and then step-by-step, certainly convincing our investors that is a good thing. Also there's some growth in the portfolio and becoming part of the group. I cannot exclude right that at some stage. We might have co-investors in it or so, but that's at this stage. That's not the plan.

A - Thomas Bohun

Thank you, Kamran. Next, we have Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, good morning, everybody.

A - Thomas Bohun

Thank you, Kamran. Next we have Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, good morning, everybody. (inaudible) from Soc Gen. Got one question, the second one on (inaudible) was answered. So, looking at Slide 22, it's really impressive to have $4.1 billion of central liquidity and it's great to note the reinsurance business has been upstream into the group consistently. My question really is, if there is a risk that a part of the central liquidity has to be down streamed in the reinsurance business to some extent to support the growth in a hardening market, of course, there's some spare debt capacity available, but I guess, you wouldn't want to leave it up beyond the point? So that's my only question. Thank you.

A - John Dacey {BIO 4437051 <GO>}

So Vikram, hi, it's John Dacey. I think I'd suggest it's a fairly hypothetical question. Our view is that we have the ability to support a strong growth in the reinsurance business both Life & Health and P&C with the balance sheet of reinsurance today. And it strikes me it's unlikely that we would see a need to downstream. Now the exception to that of course would be if there's some massive natural catastrophe that would occur in the next quarters on top of COVID, we've always said that we have the capability to manage that and then I go back to the $2.7 billion of contingent capital that we would have accessible to us to be able to fund both the hypothetical losses that might occur with some extraordinary event and continue to grow the business and what would be an even hardening -- harder -- hard market for reinsurance. So, I think the view should be that this capital is already at the group and a reverse flow into reinsurance strikes me, is highly unlikely absent a major catastrophe.

A - Thomas Bohun

Thank you, Vikram. We have Andrew Ritchie from Autonomous. Hi, Andrew.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hello. Hi, there. Sorry to go back to this topic, which was I think John, you were trying to skip over possibly which is the target ROE. It strikes me that group has gone through quite a lot of introspection this year. You've obviously disposed to reassure. You decided to more systematically use retro which is a form of leverage. You decided to more systematically exploit synergies between the business units which should enhance group ROE. You said you're happy with the absolute 10% to 12% ROE of your core divisions. And yet we end up with this unambitious, unchanged target spread of ROE at group level. And I get -- you're sort of saying well, yeah, but we haven't achieved it. But I still just want to get some sense that you feel that when I put all those ingredients together there's no reason why that target spread should have gone up, particularly because we need compensation as shareholders for potential volatility and I'm not sure that is sufficient compensation.

The second question linked to that. Christian, you have in previous Investor days I think almost (inaudible) actually always referred to sort of the underlying efficiency/expense drive, I can't remember the (inaudible) you use but you have a desire I think to keep the ongoing expenses down or even full and reinvest some of those savings in technology, but what's your thinking on that now? It still strikes me the group is quite overly complex, you've got a lot of risk carriers in all the divisions. I just wonder if there's been any thought of a more radical approach to further simplification?

A - John Dacey {BIO 4437051 <GO>}

So Andrew, let me try your first question. I actually don't think I tried to gloss over it. I was very specific in saying for the moment we're holding on to these. I would suggest that those are targets which we refer to as over the cycle. So if you want to be ambitious and suggest where we've been for the last three years, the (inaudible) for us in 2021 and 2022 to reach that over a recent cycle I think would be pretty high. What I think I can say is your comments were all -- there's nothing I would disagree with your points on why we should be more optimistic about the return capabilities of the group. I simply, would say in the context of an ongoing pandemic where we've got enough balls in motion without changing this target will be very, very pleased to significantly outperform it if the rate environment and a normal loss load in 2021 comes our way. And in that case, I think we can -- during the course of 2021 re-evaluate where we want to reset something for the next two years before we go to IFRS. But overall, I think you'll appreciate that our goal is not necessarily to meet that target but to beat it. And that remains intact for us in 2021.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yeah, happy to take the cross the question, Andrew. I can see it with very good memory this is many, many years, so the philosophy has been I think since 2012 or so to try to take out 3% everywhere in terms of cost and then reinvest it somewhere else, which I think we have done for several years. Then came a phase in particular where reinsurance and also part of operations have actually cut it without reinvesting it, right? We still have reinvestment which means the cut have been more significant and then obviously we grew without adding too much resources. So all of that has really helped. I'm -- as you might remember, right, I'm not a believer in this 10% or 15% cuts in one go. It's different if you have to restructure cores or had an exit lines of business, it makes perfect sense. But if you do it to an otherwise healthy organization, you get all these yo-yo effects, right? You cut the long-term investments, you do lots of mistakes and then innovatively three, four years later you add it back on and it's unsustainable.

So, I really believe and that's also what I think the gene [ph] people came to us in 2007, that kind of philosophy they brought is just to do the hard work of identifying every year something you can cut, right, and always work on that and the pressure hasn't -- hasn't taken -- hasn't been taken off at all, right, and we continue with that. And these things we're seeing here, I think they're all pieces that would help us to continue on that track rather than having a big one-off. But you have to come up every year with these 3%, which is a lot, you have also inflation of salaries and so on.

So, I said the -- we just try to think over a long period of time, what are elements we can do, how can we further simplify. We now have Anette Bronder, who comes from Deutsche Telekom as our COO. She definitely comes from different type of environment, has a lot of experience in that and is helping us so that we can continue on this pathway. So, I think that's what you should expect, right, trying to be sustainable, do the right thing and yet have a higher and higher hopefully competitive advantage over time through scale.

A - Thomas Bohun

Thank you Andrew. We have James Shuck from Citi Group. Hi, James.

Q - James Shuck {BIO 3680082 <GO>}

So, couple of things from me. So when I'm looking at the SST sensitivities because the -- since the ReAssure sale, I was expecting those to have come down a fair bit year-on-year. If I look at the credit spread sensitivity, it's come down a bit from 8 points to 6 points for 50 bps increase. Interest rates has actually gone up quite significantly, that's presumably because of the lower interest rate environment. Real estate has gone up. The hurricane exposure, one in 200 years has gone up, it's 42.6. If I put all that together and then set the SST ratio 2:3, we have a target level 220 and the floor of 200. It doesn't take much to start hitting that floor. I'd just be interested to get some of your comments around how you've managed that volatility and particularly in the context of any reassurance you'd give over the dividend outlook?

Second question is around the capital deployed in P&C. So I think the $700 million earmarked for growth, that's forward-looking on the SST, so it take us through the next January and new period that -- in that 700, I think there's an increase for COVID reserving as well. So (inaudible) even less. Last year, it was $800 million. Obviously, with the hardening rate environment I'd be expecting to deploy more capital into net cap both on the gross and net basis. So just intrigued to see any comments around the P&C Re growth outlook into 2021 because it doesn't look like you're expecting to grow that much? Thank you.

A - John Dacey {BIO 4437051 <GO>}

James, so maybe on the second question, I can encourage you this afternoon to maybe repeat the questions to Moses who can give you a little more color. What I can say is two things. One, we do expect a strong growth into a hardening market place and we will find the opportunities I think to deploy capital in the P&C Re as we go forward, and exactly how much of that we're successful at will be included in the January 1 renewal numbers, which will be the 1/1 2021 SST number, but we will not constrain that growth, if we think it's value-creating for the group. We will manage the peak risk also with the continued success of the ACP teams to be able to find partners to accept some of that.

I think on your first question on the sensitivities Re, yeah, I mean the financial market activities as well as potential large liability events do have a significant influence in the SST. It's one of the reasons why frankly we've struggled a little bit with the point estimate we've got out there as a target of 220, when you correctly identify the things can bounce around up and down. And so, over the period, I think as we've included a good chunk of our potential dividend in 2021 as we've included the SST, the COVID losses that we expect to come through next year, have we included material growth and risk, which is by the way not necessarily the same as growth in premiums in some of these lines and course so in particular, but also reinsurance where we think we're getting excess revenues for the risk-taking. We're pretty comfortable. And never say never about fluctuations, but we've said in the third quarter where there was still a lot of volatility we managed to stay above 220. Not that that's a limit for us but that's just a fact, and if for some reasons we're dropping below 220 as there's no cause for alarm, over time we wanted to come back towards that target, but the reality is we're thinking about this as a bit of a range with 220 as a target part of that range.

A - Thomas Bohun

Thank you, James. We have Vinit Malhotra from Mediobanca. Hi, Vinit, go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Hi, good morning. Thank you very much. Just, so one for -- one for Christian, one for John. One is the -- the first one question will be, you mentioned about the pandemic exclusions, which will kind of draw a line or just kind of that this never happens next year. I'm just curious, how much is the pushback you're expecting or you think will be important from government, from other stakeholders? I mean, can we really just say, hey, on 1st January, we will wake up and no more losses, we close our eyes, and we just be allowed to live like that. So I'm just curious, this is a more theoretical question, but have additionally any thoughts on that?

Second question is for John, just on the ACP slide 26, 27, thanks for sharing all that. I mean, I'm just curious, you did mention the benefits of market knowledge, but they seem to be coming at a cost. So when I see slide 27 and I see a comment that your actions are helping -- increasing permanency of third-party capital. I mean, how does Swiss Re's whole reinsurance operation view these activities? I mean, you're just literally helping the competition. I know you're not only people, but I think it's just I'm curious to understand if there was any debate in the company on basically what's the reinsurance and how this actually is net positive for the group? Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

So Vinit, let me obviously take the first one, right? So it would be totally against the principles of insurability if you were forced to insure a burning house, right? The risk has already materialised. So I have not seen any person in the whole market suggesting, we should insure a risk that is already here. So I think there's total agreement in principle that this has to be excluded and obviously our clients do the same at the front, right? Because they had not foreseen this to be a key risk. They know this is something that shouldn't be in their portfolio.

The timing is not exactly the same. They obviously move thick and move quicker, but maybe they're not finished by 11, but I don't see any pushback on that, the push back is usually around the exact wording and what it means and do you start to exclude other things with it, et cetera. So that's been the challenge in the detail, but I think from a principles' perspective, there's no disagreement, no push back, and obviously, maybe Moses can also give us (inaudible) on the front maybe in the Q&A session this afternoon.

A - John Dacey {BIO 4437051 <GO>}

And then on the ACP slide. Thanks for the question because apparently, I wasn't clear in my own description of what we were trying to explain here. In this light blue box, we're not talking about the market, we're talking about Swiss Re Group's ambitions. And so, the idea of increasing the permanency of capital as an addition to the levers that we have today, the sidecar which works very well for us and for the investors and the cat bonds which we had very little trouble placing at rates which work for us in support of the reinsurance team's business, right? So none of this has been done at a loss for us.

We're looking for options ourselves for Swiss Re Group to have some more permanent capital structure in place and we don't have that today, but we think supporting Swiss Re business with something that is more permanent with a potential additional set of investors would be in our interest. And so what we mean here is not that we're helping our competition, we look to invest and build capabilities inside Swiss Re.

A - Thomas Bohun

Thank you, Vinit. We have Michael Haid from Commerzbank. Michael, go ahead.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Good afternoon, and two questions. First, on the combined ratio below 96% target for next year. You appear to be very happy with that and you achieved a return on equity of 16%, but just to be clear, as the low interest rate environment progresses, is the combined ratio of say 96%, do you say below but let's say 96%, is that sufficient or so did not go down further to a level of 92% or something like that? That's my first question. Second question on elipsLife. You sounded like elipsLife is currently or thus currently going through a kind of a restructuring maybe that (inaudible) of a growth and repositioning. What exactly did go wrong if anything did go wrong and what do you exactly do?

A - John Dacey {BIO 4437051 <GO>}

So, on the combined ratio, I think you're probably referring to Slide 11 that Christian used, where we said that 96% with the current investment return is a plus or minus 16%. And our view is and you'll hear from Moses is that trying to predict next year's normalised ratio today before we finalise the 1/1 renewals is a little challenging, but everything we see in the market says that we should be able to get to a point where 96% is achievable. I'd encourage you to know that and I can say that as a CFO, not the head of the unit, that both for ReAssure and for corporate solutions we say less than or equal to the expected numbers.

And so, if we find ourselves in a situation where the market rates actually allow us to come in better that will be great and we'll update you in February. But for now as Christian said, what we see in the market allows us to be fairly comfortable that we're on target to get to or below 96% and yes, if interest rates continue to remain low for longer, the kind of positive momentum we've had in reinsurance combined ratio over the last three years, we would expect to continue. What we do see is in the primary market, especially for the commercial rates which make up the bulk of our reinsurance activities outside of nat cat, a continued very strong price improvement and the fact that the primary companies including CorSo are able to capture that, means that their ability to afford reinsurance at price levels which will improve reinsurance's combined ratio should continue beyond this 1/1 renewal.

So we're optimistic for the near-term, we're also frankly optimistic for the mid-term, it won't last forever, but the momentum continues to be very strong.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Maybe I'd just add to that, you know, don't forget that in GAAP premiums is earned over two years, two and a half years or so. So that means the combined ratio that's going to be booked in GAAP next year is half of that comes from the business we have already written this year and only half comes from the business that we will write next year. So that gives a bit of a time delay of recognition, but I think it's fair to say, what I said is if interest rates remain as low and you have a gradual lowering of the ROI of one point, you need to get 2.5 points to compensate for that and I think the environment I'm seeing it's technically possible, it's a high likelihood.

So elipsLife, I think there's two elements there. One is low interest rates create stress in particular in Switzerland with some products. So there's a bit of restructuring happening there, but the other one which is very big is that, it was part of the growth push, so within Life Capital both iptiQ, elipsLife were in the high growth trajectory, which means you have some profitable operations, but then you start in different countries other operations. As we did the strategic review when you compare the two, we can see that iptiQ has a higher strategic importance because the scalability is much higher. And elipsLife you can scale but it's most scaling with number of people you have and the broker contacts you have, et cetera. So we felt there's a different -- difference going forward, we -- iptiQ is really at the center of the strategy, something we need to develop very quickly. In elipsLife, we think that it's more important to -- instead of continuing to invest and have this very high combined ratio, it's better to focus on the profitability, have less growth, less scale and then deal with this Swiss problem. So I think this is a combination of these two things and that's what's going to happen within the course of umbrella. Hopefully, that explains it.

A - Thomas Bohun

Thank you, Michael. We have Thomas Fossard from HSBC. Go ahead, Thomas.

Q - Thomas Fossard {BIO 1941215 <GO>}

First one will be on the pricing outlook. Think that in the past you mentioned that 6% pricing was equal to zero on an economic profit basis. So I was more interested to understand what was your thinking regarding the upcoming renewals, and if you were shooting for something about 6% at the original level? And also connected to that, I think that clearly. you're the market leader with (inaudible) at the present time. So you've got the real capacity to lead the market, the two of you to get your reinsurance capacity being repriced to adequate level, and maybe this year is the one time opportunity to get that. So can I ask where Q3 is going to put yourself in between I would say pricing and growth, is it going to be a mixture of both or are you going to (inaudible) growth? Just want to understand how the market is likely to shape up in the next 6 to 9 months?

And the second question would be for Guido. On the 2.4% running yield, can you give us a bit also of a view of how we should think about the attrition of this running yield, it just has a lot of cash assets probably yielding negative rates at the present time. So should we expect as for your peers something which is around 15 to 20 bps attritional -- attrition per annum or is it going to be medium in the short-term? Any guidance would be interesting. Thank you.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Okay Thomas, thanks for the question. I'll take the first one and a half question I guess. So obviously, I wish it was true, right? I wish we could just say what the price should be and then the market will follow. I'll just remind you that after 2017, where we had very big natural catastrophes, we pushed very hard, but we were alone and we were not able to have any influence in the market. So I think you could on the positive way for the market you could say competition is working extremely well, but certainly I think that will be an illusion to think that we can just steer the market as we like, right? There was just too much appetite, too much capital inflowing after '17. And so the question is, is it different this time, yes or no? But this has certainly made us cautious.

I'm also cautious in just listening to competition, you can see a marked difference between the corporate solutions markets where you hear everybody saying we're going to cut, it's not profitable, new management, we change everything, et cetera. So and there's a massive price increase, a massive hardening happening. And reinsurance where the tone seems to be, we see massive opportunity, we want to grow, that's what I'm hearing from the rest. And that's what I'm hearing from the market, doesn't make me as bullish as I am on corporate solutions. But I hope reason will prevail. The group wants regions to push profitability. So there's no particular push on growth and there's a lot of focus on profitability, I think still work to do on casualty. We think that we're going to see good rate increases on the nat cat side, which obviously we have to hedge a lot off. So I'm positive, mildly positive about where we're going to go, but we're going to go in with caution and we're certainly going to be pushing having a focus on margins.

And by the way just to correct, like you said, 6% increase, zero percent economic increase, but in terms of combined ratio, some of the -- some of it goes to the combined ratio. I've 4 points, the ones that are related to discounting, they go through combined ratio, so we had improvements in the combined ratio and we certainly expect further improvements in combined ratio I think is highly likely.

A - Guido Furer

Okay. Maybe Thomas, a very good question on the running yield, thank you very much. Running yield is a very particular KPI and that's why also I announced early on that we move to something which is closer to our peers in 2021. We will call it recurring investment yield, which again should give a better guidance because it adds to additional asset classes. For example, real estate is a good example, but those are some of the dividend which we get out of equity. That's probably a much better I guess cockpit to on debate what this kind of recurring with the relatively high likelihood.

Now, if I look at the current running yield, and again, that's kind of Swiss Re's version, which will be adjusted so that we can move closer to what our peers kind of present under this recurring piece. It was mainly impacted by two things this year, one was a lower yield. Again, we dropped 120 basis points in the 10 year and that of course has an impact on the denominator, and it was a big one if you calculate it times the duration. Then we have portfolio action, which was another piece which again led to a reduction in the so-called running yield, but of course, result was a much better kind of quality. And I think the portfolio which is a much more fit for even turmoil and more volatile time.

Now, how does it look going forward. I showed you where our unrealised gain is and that they still believe is probably one of the biggest kind of safety piece, which makes us less vulnerable than most of our peers. And for that piece, which is big as you have seen from the duration point of view, 44% in the 10 plus year and then another probably close to 20% in the 5 plus year. That means the bulk is out 5 year plus, I don't need to reinvest. And with that and somehow immune in respect of the current yield environment.

Now the rest, of course, yes, we need to reinvest. Now the good thing is we have 21% in cash and I don't have to tell your cash doesn't earn a lot of money. We avoid the negative currency. Again, Swiss Re is mainly a US dollar company. There we don't have negative yield, but it's low. But as soon as I deploy that piece, even if it's high quality investment grade short-term, I can add considerable additional spread income. And that's why in our case, because we have so much optionality in the book, it's very hard to say what kind of the spread is of yields which is staying very low.

If you look at the market, they have much more kind of deploy capital in financial market less kind of allocation to cash. That means, the (inaudible) much more the current reinvestment risk, which of course is lower than it used to be. We are different and that's why if rates are staying at, there are no further drops, I think we will have a completely different drag on the recurring investment income compared to our peers. That's why I feel comfortable that the action which you have taken then should allow us to really serve through very choppy market because its highest quality of the portfolio. I have cash allocation, which of course, we will deploy and you heard Christian, but also you heard John, our CFO, this creates a lot of optionality.

Financial market risk right now is a very low shortfall capital user and it's in the area of 24%, and if you add credit risk on the insurance side, we are close to 31, this is clearly below market. And I think that's a great option and again we have the options we deploy the capital in area where we are in a bit more than just kind of see your interest rate. This will be a big mitigation against that low-yield environment. Thank you.

A - Thomas Bohun

Thank you, Thomas. James from Citi Group. Please go ahead.

Q - James Shuck {BIO 3680082 <GO>}

Hi. Thanks for taking my follow-up. First question just on the COVID losses. Thank you for that update. Just keen to know whether there's any impact from the Australian adverse judgment on the test [ph] case, which we quantify that for is whether you should have included anything in your reserving?

Secondly, the sustainability side of things, which was interesting and thank you for the insight into what you're doing on the underwriting side in terms of limiting some of your exposure to oil and gas. I'm just interested to know how you actually integrate sustainability more holistically into your underwriting processes, when it comes to actually allocating capital to the potential areas that may not fit within that framework. How do you think about your premium that's exposed in that area and particularly in vulnerable areas over the medium term? Thank you.

A - John Dacey {BIO 4437051 <GO>}

So maybe I'll take the question on the Australian ruling. As we mentioned before vis-a-vis the lockdown as the triggering event for most of the what we believe are covered business interruption losses on properties portfolios, we did book considerable positions in the second quarter. You see that these remained as of Q3 largely IBNRs and that included some losses that we expected would migrate up from Australia. The specific ruling I think I'd say was probably a little more negative than the industry might have thought, I think it's uncertain exactly what it means for the industry more broadly, there's some other test cases which will come and so we'll wait and see.

What I can say is there's we saw no reason to immediately jump to a change of view of what our exposures and ultimate losses might be, we will continue to evaluate this and as we get a better sense of what this means for some of our specific clients and our specific shares, we might or might not adjust it, but right now in the IBNR there is a piece that's related to Australia as well as a piece related to the UK where we saw exposures already in the second quarter and exactly whether those assumptions remain valid we will see over time and probably update on Q4.

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yes. I'll take the second question. I think it's really interesting and extremely timely what you asked, because on the underwriting side, I think we started more than 10 years ago with some exclusions, 15 years ago maybe exclusions, we're going to exclude the very delicate industries of like tar, sand, et cetera, and then last year, we started with a main industry, oil and gas which is one we support, right, overall, but trying to find out how we can encourage, let's say, those who put the least attention to these topics to become more like some of the others, but you're right, we need something much more holistic.

On the asset side, we are referring to ESG scores, which are by no means perfect, but at least to give you a sense and you (inaudible) of measuring it. Ultimately, also on the other ending side, we will have to find a way to measure the footprint, right, the carbon footprint, for example, or the ESG footprint of all of our clients and think about ways in a holistic way and then measure how much or what's basically the carbon footprint of the sum of all clients we have and how much we support them to have quantitative measures so that we can start to measure it down, right, this footprint of these clients we have. And actually, we've started to develop these measures, we're going to use them internally next year to be part of the objectives also set by the comp committee for the executive team and its broken down and it's very timely, but we haven't disclosed the details and obviously still some of these methods are still in flux. So I guess, like everybody else, we're trying to find ways to make it as rational as possible.

A - Thomas Bohun

Thank you, James. Emanuele Musio from Morgan Stanley. Go ahead, Emanuele.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi. Thanks for taking my question. It is a big question on rates. So this year, prices have gone up across many lines of business and momentum seems to continue into 2021. So my question is, there are some players in reinsurance that are focusing on a very limited number of lines of business, but really more aligned, but very limited focus. Do you think that a growing number of these players may decide to enter the line of business, this may slow down rate improvement? For example, let's say, a start-up in the capital [ph] space with a clean balance sheet is not exposed to some of the legacy issues, for example, resulting debts, that are one of the components in the current (inaudible) prices.

Do you think that these could be something leading to a slowdown in gradual improvement or maybe a deterioration again in certain line of business?

A - Christian Mumenthaler {BIO 6479864 <GO>}

Yes. Maybe I'll take that, right? I think that every time a market hardens, you had new players coming. I think that's a natural process. Actually, in some of the past, it was much, much bigger. Now, of course, also in this environment, you see some players come in, but their overall capital is relatively small compared to the overall industry, (inaudible) $1 billion or $2 billion of capital, it's relatively small. So it's going to be more, it's going to be -- it's not really positive. I agree, right? Obviously, every time capacity comes in, it's not, but I don't think it's going to compensate for the GAAP.

So if you take on the reinsurance side, I think for any client of ours to certainly try to switch to smaller place, it's totally impossible, right? If you think how much has been placed over the last 50 years with some of the major player, so I think it's going to be used for leverage and negotiation or something like that, but it's not going to be a major factor. And I think in the corporate space, the issues in the past loss have been so large that I think all -- really all the major players are extremely disciplined right now and I don't think that the entrance of one or two smaller players is going to change that significantly. So I'd say, yes, it's certainly not helpful, but it's not at the scale or size that I think it's going to derail the momentum.

A - John Dacey {BIO 4437051 <GO>}

Maybe if I could just add to that, so the CorSo team has been tracking very closely various lines of business, including the lines that they've exited, and what I can say is where you might see some new people or new entrants say they're going to focus on excess and surplus lines or umbrella casualty or other parts of the liability portfolio, CorSo is out of those lines and soon after CorSo made that decision, a series of other important players in the market have also decided to either scale back materially or completely exit these positions. And so what you're seeing I think is much some backfill of capacity to replace a greater amount that's been taken out rather than a net new capacity when you look what's happened.

So again, I credit Andreas and the team from moving aggressively and moving early compared to lots of people in this space. But you continue to read about reports of people that are basically coming to the conclusion that even current rates for some of these liability lines are challenging and will be exiting if they have not already exited. So that's the dynamic on that side. I think on the reinsurance side, yes, there's going to be some people trying to be opportunistic, but that's especially what Christian was saying, their relative size is not going to influence. I don't think pricing that Swiss Re Group sees that it might influence what some of the other small players who normally take a 2% share might look at.

A - Thomas Bohun

Thank you, Emanuele. I'll take one last question from Ian Pierce, Credit Suisse. Go ahead Ian.

FINAL

Bloomberg Transcript

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Thanks for taking my questions. Just two quick ones, hopefully. On the liquidity buffer at group, I'm just wondering, what the normal level of liquidity you would aim to hold at group would be, to what sort of the $4.1 billion, how much of that is in excess buffer you would sort of imply in that number?

And then also on the liquidity. You seem relatively optimistic on the outlook for investment markets. I'm just wondering, why that liquidity hasn't been deployed into investments as yet and when we can expect that to be deployed into better returning assets?

A - John Dacey {BIO 4437051 <GO>}

So I'll leave the second one to Guido. On the first one, we don't necessarily have a target liquidity at group level. What I can say is the overall liquidity position of the group is not just what we've holding at the group level, but also in very specific areas is probably a little higher than we've had in recent years, and it doesn't mean that I'm necessarily focused on moving this down, but I'd say that there's no view that says we need to grow the liquidity that we currently have at the group level. So that's a little bit of guidance I can give you there. I think over time, we expect the businesses to return on a post COVID world to strong earnings return, the dividend capacity and a normal flow of funds up the ladder, and in that context we'll see where we can deploy it.

A - Guido Furer

Thank you. Ian, on your second question, it's a fair challenge, with this more constructive outlook why we haven't yet moved after say it is more constructive outlook clearly is not born three months ago, it was born after the US election, but clearly also since we have some very positive views on the vaccine development, I think these were kind of the right trigger moment to become more constructive.

The policy both fiscal and monetary that whatever be (inaudible) confirmation this will continue. I know it's a political discussion on some of the emergency program, but ultimately everyone expected this whole top which gives the perfect base to find the right entrance point. We started to deploy the capital. As you know, we have a dynamic kind of hedging program on the balance sheet, the good thing is on the equity side I mentioned is also at the last call we have a lot of upside that means we only mainly work with option, that means a good profit from the rally. Now the $21 billion cash, it's no doubt, this is too big with this outlook and we used at the right moment to further deploy the capital. Thank you.

A - Thomas Bohun

Thank you, Guido, Christian and John. Thank you for all the questions. This ends our morning session and will reconvene in an hour. Thank you, everyone.

A - Thierry Leger {BIO 16674977 <GO>}

Thank you, Thomas. Welcome back everyone. Good afternoon, ladies and gentlemen. As Christian, John and Guido have laid out in the first session the insurance and reinsurance industry are living very difficult times. After years of nat cat, property and casualty losses, COVID-19 and the very low interest rate environment has made the situation even worse. On this background, Swiss Re has decided to take very decisive action to increase its margin and adjust its portfolio. As a result of that, we expect this portfolio to withstand future volatility much better than in the past and deliver attractive returns to our shareholders.

This slide shows the environment in which we are in currently really well in my view. You can see the gray shaded area which is the capital inflow into the reinsurance industry over the last 20-30 years. You can also see the dark shaded part, which is the alternative capital that actually flew into the reinsurance industry on top of the growth in the traditional area. As a result, the offer side has been outstripping the demand side, and you can see at the example of the yellow line that the prices for example in nat cat across all lines of business has been reducing since 2012. We have seen slight increases over the last one to two years, but of course nowhere enough to compensate for the reductions in the years before. And all of this happened on the background of very active nat cat seasons with huge losses, but also in man-made losses, it couldn't stop the influx of capital.

And on top of it as I mentioned already, we can see the decline in interest rates for now almost 30 years from 7% in 1994 to below 1% in 2020. And you can see that the reduction in interest rates between '18 and '20 has been almost vertical on this slide. So a very difficult environment, almost toxic cocktail for the insurance and reinsurance industry. But out of this difficult situation, there are as well opportunities for us and I will come back to that in a few minutes.

Let me start with a few actions that we have taken. Interest rates obviously is a concern to the insurance industry. In our costing, you know that we have the economic value management, there's our costing and steering metric at Swiss Re. In that costing, we discount future cash flows at risk-free rate. This means that with every costing, we take into account the actual interest rate environment. By doing so, we actually force the sales channel to sell the products at the higher price to compensate for that lower discount rate.

On the GAAP side, you can see the impacts this has. If in 2018, we required 40% of US GAAP earnings to come from underwriting income, that underwriting -- technical underwriting contribution in 2020 has to be 60% just to compensate for the reduction in interest rates. That means that 50% price increases has been required just for -- 60% increase in contribution has been required just to compensate for the reduction in interest rates.

So you can see that therefore some of the price increases we have seen lately has been required just to compensate for this. So this is why price increases on are happening across the industry and why also Swiss Re is pushing very hard.

COVID-19 as I said makes the whole situation even worse. The particularity about COVID-19 was that it impacted the industry simultaneously, globally, and across all lines of business. It has led to huge losses and it's not over yet, COVID-19 is still ongoing.

Swiss Re estimates that the COVID crisis will cost the industry $60 billion to $80 billion. This number is a gross number; obviously, there are some positive elements as well for example in the motor insurance from COVID. But this across number $60 billion to $80 billion would make it one of the largest events ever in the insurance industry.

Christian mentioned the impact this does have across all lines of business and how this actually comes through the different layers in insurance and reinsurance. First, it reminded everyone in P&C to review their wording. It was -- it became very clear and the court's decisions show it to us every week that stepped in weaknesses in the way the primary insurers have defined their covers. And there's these covers now all up into the reinsurance programs, particularly on the accommodation programs, the CatNet programs. We see that we also have some learnings from this event and they are beyond the exclusion of infectious diseases, other clarifications that need to be done. And we are obviously in discussion with our clients to discuss those and close those.

On the Life & Health side, the pandemic has always been part of our models. It has always been part of what we expect to happen from time-to-time. So the impact there was more that we have to differentiate between the health impacts of COVID-19 and the economic impact of COVID-19. And I will let you know later what actions we have taken in those areas.

I mentioned opportunities coming out of this very challenging situation. You can see here the Global Resilience Index as published by the Swiss Re Institute. And you can see that the macro index has been reducing between 2008 and 2020 from 63 to 50. This shows that the resilience in our societies has reduced. This shows that the resilience of governments, societies, companies, people have reduced. And it has impacted obviously also the insurance companies, our clients.

You can see therefore an increasing demand to cover for example for their earnings volatility. You can see demand increasing for balance sheet protection or capital protection. And you can see demands to optimise their portfolio mix for example. So three areas where we see an increased demand. And we think that with our superior capital base, our client relationships, but also with our underwriting and our solutions, we are extremely well placed to help our clients through these difficult times, which would allow us to grow our portfolio at profitable terms.

We have taken further focused areas and I would like to mention 4 of the most impactful ones. This is our -- an overview of our portfolio. Since we have developed a strategic target liability portfolio ceiling, in this, we split our overall portfolio into 45 different portfolios. We developed a forward-looking view for each of these portfolios before we look and use are developed on the back of many different data points, the economy, the competition around the client, the quality of underwriting of the client and so on. We then classify those different areas into portfolios you want to grow, those you want to shrink and those where we need to improve the margins. And you can see the impact they've had over the last 18 months. So the chart to the right shows, how the portfolio has been moving over the last 18 months. So you can see that, we have been growing the blue bubbles that were supposed to grow. You can see that we have been shrinking the portfolios that we wanted to shrink strategically and you can see that we have improved the margins on those portfolios that needed an improvement in margin. So this strategic target liability portfolio management for us we feel is a real differentiator and should lead to outperformance in the long-term.

The second significant action we have taken is on the nat cat side. Nat cat is our most profitable and most important line of business for many decades already. It's a line of business we understand extremely well. We have our own proprietary models. We model 180 perils and we have demonstrated that over 5, 10, 15, 20 years, the expected to or the actual to expected loss actually is excellent. So actual equals expected.

So we have a lot of confidence in our nat cat model and underwriting. Despite that, we have observed over the last years that in the space of secondary perils, particularly those that are driven by climate change, there has been an increased loss activity as laid out on this slide.

You must imagine that every loss represents another data point in our model. And each time, it will influence the model sometimes to the better, sometimes to the worse, sometimes the changes can be bigger, sometimes smaller. So it's a very normal standard procedure of the losses that we review our models. In this case, the changes were a bit larger and we have updated our models in Australia, Japan and California for wildfires for example, they're already in production and have been already used in the renewals. So we remain very confident in our models also talking about climate change.

The third area of action we took was in the space of US casualty. Obviously, on the back of some difficulties with heavy loss load, we have been investigating the space to understand the root causes of that development. And we found out that the combination of large corporate risk exposure and social inflation was one to watch. Indeed, we think that with the rise of plaintiff bars, we can see more and more money funding moving into the area of plaintiff bars, we can see the new techniques and strategies they are utilizing and we can see that they are going particularly after the deep top air pockets of the large corporate risks. And besides this combination is a very difficult one. So I've decided to take very drastic actions. Accordingly, in CorSo, we have reduced our exposure to US general liability to zero in 2020 already.

On the reinsurance side, we will by next year reduce our exposure to large corporate risks by 50%. The other 50% will remain with some key clients of ours that are leading players in the US casualty space that we continue to support, but also on some treaties where besides the LCR risks, we get actually a significant proportion of non-LCR risks. I feel very positive about our portfolios that we will be left with in 2021, and since that's a portfolio we can build on and certainly also steer through the uncertainties ahead.

On top of it, we obviously particularly in the space of US casualty have increased prices. And you can see that we have been able in July this year to decrease the commission level on our reinsurance treaties by around 5 percentage points. Considering that the reinsurance commission is around 25%, 30%, a 5% reduction is obviously very significant.

Overall, we have seen at the July renewals an 11% nominal rate increase across all of casualty and 20% for US liability. So we can see that the actions of resizing and redirecting our US casualty portfolio together with strong rate actions will position us very favourably in the years to come.

Let me switch to Life & Health. I haven't said much about Life & Health, but obviously strongly impacted by COVID too. We have strong confidence in our Life & Health underwriting. We think we have a very, very strong global team in Life & Health. We have a very large in-force book. We have an excellent understanding of our in-force book and how we can extract value from this in-force book. On the new business, however, we have to react to what Christian called the burning house to the ongoing COVID crisis and we have adjusted our underwriting guidelines for new business. That doesn't mean that we don't support our clients anymore, we do actually support our clients and we still insure people, consumers out there that needs protection.

On the impacts -- more economic impacts on COVID-19 on Life & Health, it is very clear that the line of business such as disability has experienced historically loss, peaks of the economic crisis, so this is certainly not the time to increase our capital allocated to this line of business. To the contrary if there are possibilities, we will reduce our exposure to this line of business in the one to two years to come. But overall, we remain very confident in our Life & Health underwriting also during these very difficult times.

We have a very strong focus on the year end now and the improvement of our portfolio overall, but also on adjusting the portfolio to the new realities that there are. We keep an eye on the future and there on the long-term and there are the three things that are top on our mind. One is, improving the underwriting process. We see today that there is technology around that is helping us to process underwriting in a different way. It enables us to enhance the underwriting process with data and analytics in the way it hasn't been able before. So it really leads to some sort of a machine enhanced underwriter if you want and putting the underwriting in a much better position to underwrite risks in going forward, so make better decisions and faster.

The second thing we are doing, we continue to invest in our strategic target liability portfolio steering capabilities. I told you that there is a lot of data flowing into this steering tool and we are convinced that more is possible. More is possible, there's more data around and better ways even to use all that data to lead to even better forward-looking use for the portfolios, but also we need to put all these portfolios in context to each other to make sure that these individual forward-looking use also makes sense as a whole. So there is lots of efforts and investments done in that stage.

The third area I wanted to mention is contracts. Contracts actually are our products and we are looking at ways how we can improve, but again here with technology today available, how we can improve our contracts management end-to-end. We think there is a way to actually improve that -- quite dramatically improve the quality but also the efficiency of those processes and ultimately leads to a position where we will have much better understanding insight into our wording. This will enable us to become even more (inaudible) than we are today in addressing emergent issues around our products. So very exciting outlook into, what I call, the future of underwriting at Swiss Re and something we see very strongly about and will help us to differentiate in going forward.

In conclusion, just these two graphs. On the left, you can see our underwriting portfolio in 2017, at the bottom of the soft market. You can see that about half of our portfolios were not earning its cost of capital and the other half obviously was above that line that was in 2017. Next year, the portfolio will have shifted to the right side. So we can see that with the exception of just one or two smaller portfolios, all the other portfolios will have moved above cost of capital. And you can also see that the average profitability of the portfolio to the right one will be in next year is significantly higher than the return we had in 2017.

So this makes me feel very optimistic about the portfolio that we will have built by next year. It's a portfolio again that will help us to withstand future volatility in a much stronger way than before. It's a portfolio that will deliver higher margins to our shareholders and it's a portfolio that positions us extremely well to help our clients through these difficult times, which in turn will enable us to grow our business further at very profitable terms.

Moses, please.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Thank you very much, Thierry. Good afternoon, everyone. And following on with what Thierry said, from a reinsurance standpoint, our focus clearly is on increasing the earnings power of the reinsurance business, leveraging the assets that Christian showed on this chart, so you'll see if we recall on the number of the charts are global scale and present, the diversification that we have as an organisation, the knowledge that we bring, and of course, the strong franchise value that the organisation itself has. You are familiar with the fact that we have three pillars in our strategy: Solutions, transactions, and core, where we see room for us to be able to drive the sort of differentiation that we feel the franchise Swiss Re deserves in the marketplace.

In solutions, since we showed you this framework over the last year, more clients have come to us seeking to partner with us in the areas of solutions. So we feel very strongly that this is an area that will continue to penetrate and will represent a greater proportion of the income that comes from the reinsurance business. In the transaction space, demand is fairly stable and diversified. So we see large and small transactions and we also see transactions across the entire world as well. And in the core of our business over the midterm, we expect that this is a business that will continue to grow and in line with expectations of growth for GDP. We see opportunities specifically in the regional and national space and I'll come back to that particular point in a little bit.

But I think it's sort of good to reflect on the portfolio, we've been able to build in the performance of the portfolio over the last four years. The charts here that I show you are driven by -- are presented on economic terms, and you can clearly see that we've grown the premiums by almost 40% over this four-year period. And that growth is done in a fairly diversified way across lines of business, across line segments and you also see that across geographies as well.

From an economic profit standpoint, you also see clearly that we've grown the economic profit which is super important, and as I think as John mentioned to you earlier today, that allows us to still be able to pay dividends even in times where you have significant natural catastrophes or losses as we experienced during this period of time if you also include something like COVID in 2020 as well. So the economic profit has systematically grown as a function of some of the elements that I will talk to you a little bit later in terms of the portfolios where a number of this growth is coming from. But it gives us a great amount of confidence to continue to cultivate this portfolio, look for opportunities to continue to grow it and even areas that have distracted or deviated from the mean, which is mostly not having things like COVID. Over the long term, we're hopeful that they will revert back to the mean, and the earnings that you see in economic terms will translate also to US GAAP.

We're able to grow the business as a function of one of the key assets we talked about which is a client franchise that we filled and which we continue to develop. As of today, we have just over 2,300 active clients and not all of them are the same, they require different modes of service depending on their needs, depending on the complexity of the underlying business. And we also ensure that we shape ourselves in a way that allows us to be able to serve this customer set. Those customers and depending on which line of business that they (inaudible) also in terms of how we access them in the Life & Health business, almost none of that business is done on a direct basis because most of the customers in the Life & Health business also require considerable services and solutions, which means that it's far better if you interact on a direct basis rather than if it's intermediated. In every instance, we always go with the preference of the clients rather than having a preference on our own in terms of the model that we (inaudible) we go with the preference of the client.

On the P&C side, you can see the debt almost half and half. With half of the clients dealing with us direct and the other half intermediating through brokers. And given the scale of our P&C business, if half of it is going through brokers, it also clearly means that the partnerships that we construct with brokers is super important for us as a company. And you can see that in terms of how the brokers also look at us, if you look at the right-hand side of the chart, which looks at NMG, they do client satisfaction service for the industry overall for P&C as well as for Life & Health and you can see that the brokers rank us number one. That's on P&C, they don't rank on Life & Health.

And then the other two bars are what we call target market and total market. In target market, simply, we setup clients that we serve. Those clients in both Life & Health and P&C, they rank Swiss Re also as number one. The total market encompasses the target clients that we serve, but also the broader set of markets including clients that we do not serve. And here in P&C, you see that we are ranked number one, and in Life & Health, we are ranked number two. So overall from a client satisfaction standpoint, Swiss Re has ranked fairly highly. There're some areas that our clients are critical of us and we continue to work in those areas to ensure that we continue to build this franchise.

One area that we've also spent a considerable amount of time, Christian sort of alluded to this in his presentation, is in making sure that we are more competitive. So you can see over this five-year period for both Life & Health and P&C, we've moved away from being an outlier in terms of total cost from a US GAAP standpoint and total cost in this case is operating expenses plus acquisition costs to be more in line with peers, which makes us far more competitive, and we've done that by making sure that we allocate resources to areas that are going to grow. By also ensuring that for our clients, we provide the right service to the right client, so not the same exact set of services to everybody and the services that we provide are aligned completely with also the economic returns that we expect to generate from a particular client in addition to the various efficiency initiatives that we undertake as well. Christian mentioned the whole productivity metric that we pursue every single year, but in addition to that, we deploy technology, as well as ensuring that the footprints that we have around the world. We optimise that working together with our colleagues in the group operations space. I also thought it was important to talk about the diversification benefit that we generate in terms from our capital as well looking at the scale of business that we write which comes in very handy from a competitive standpoint when you're writing certain (inaudible) like nat cat as well as mortality, but the overall message is, we are far more competitive and we've worked hard at that and clearly we will continue to do exactly the same moving forward.

I'll turn my attention to (inaudible) solutions. And in solutions, as I mentioned, the demand continues to grow, where today we have roughly 40% of our clients who used one or more solutions that we provide and it generates over $300 million of economic profit to us, more than double what it was just four years ago and our expectation is that this will continue to grow and we developed solutions across the entire value chain from product development all the way through in-force management. And I give a few examples on product development as an example. If we take the year 2019, we co-created, co-developed with our clients over 200 products, which generated over $5 billion in premiums to these clients which is material and we will continue to do that. This is where the knowledge and the data that we have puts us in a good place to be able to partner our clients because all of them are looking for different products to be able to try and increase their growth rates and also to try and improve profitability as well.

And in the area of improving profitability, when it comes to both underwriting as well as efficiency, we have underwriting platforms that we have yields. You've always heard us talk about Magnum, and I just put some data and statistics around Magnum. Again taking 2019, over 13 million applications processed in Magnum and the straight through processing metric for that improved by almost 100%. So meaning, we're processing faster and less intervention, which from the client standpoint improves their profitability but also improves their efficiency as well. And the equivalent for Magnum in P&C business with Swiss Re for single risk business, so not treaties but for single risk, where our clients want to place certain pieces of business with us, they use our Swiss Re platform and here the average time for processing application in Swiss Re is now 5 minutes, which ordinarily before they would have to make a call or send an email, takes lots of time and you can then see the reduced time in underwriting is over 90%. So there's a series of solutions that we're developing to try to enable our clients again help improve their profitability, help improve efficiency, but also targets the areas of growth that they're trying to pursue.

I won't spend so much time on this because you've just seen the chat from Thierry, the target liability portfolio, which is a framework we used to steer, where we want to place capital, where we want to grow, where we want to (inaudible). So I'll focus much more on the chart on the right-hand side because it looks that the main portfolios that we have or the lines of business in reinsurance and what we expect to do going into 2021. And you can see across most lines of business with the exception of few, they want -- with the exception of a few, we expect pricing to go up, but the fact that pricing goes up on the line of business is not sufficient or the only determinant factor that says we then expect to increase exposure, we take pricing with a host of other factors, combine them and ultimately decide whether that's the portfolio we should be growing or whether that's a portfolio we should be reducing, the sole focus we have is trying to improve margin and make sure that at the end of the year, we have a portfolio that has a far greater price inadequacy or rate adequacy than the one we started the year out with. And giving the profile that we've set up, we feel relatively confident going into next year that we should have a much better portfolio constructed than the one that we are sitting on today.

So I'll probably now delve into certain areas in P&C. And the focus on P&C is to try and demonstrate that over time, we've been able to grow the economic earnings power of the P&C franchise in a fairly strong way as you will see in terms of the data that we should end. Even though we've done that, we see opportunities to still be able to grow the portfolio in areas where there had been a distraction or deviation from the expected, we're also addressing those areas.

The first is on nat cat, which Thierry also touched on, this relates to the reinsurance portfolio and you can see how nicely we've been able to grow the premiums and also the capital that we've dedicated to the nat cat business. Clearly, the growth that we've embarked on since 2017, which was the bottom of the cycle, you remember the chart again that was in Thierry's slide around the price inadequacy for nat cat globally or the index rather for nat cat globally. You can see the shift in 2017, that's when we began to grow the portfolio. And you will also see from the bottom half of the left-hand chart, that we've grown the portfolio mostly in areas where the price adjusted -- the price index on an adjusted basis has increased the most. And since 2014, as a result of that, the expected US GAAP earnings from the nat cat portfolio has grown by over $400 million. So quite a significant way in terms of steering the portfolio, picking the right area we want to be and doing that mainly driven by margins.

And the next area which we tend not to talk a lot about is that specialty portfolio, but this is a really solid portfolio that has been grown in a very disciplined way. Since 2017, with rate increases, you also see material growth in the specialty portfolio, and you also see over the period of time since we've been measuring for the specialty portfolio, which is 2014, the amount of profits that's generated on a US GAAP basis, the average over the period since 2014 is over $300 million and this is on an actual basis, so not adjusted in anywhere, not on the basis of expected, but an actual basis.

And this is despite the fact that during this period you had clearly lots of significant events throughout the entire year for the portfolio delivered for us on average significant profits. And since 2017, when we increased our participation in this space, the amount of economic profits we expect to generate from this portfolio has also grown at almost 10%

per year. We're able to do this because we've got a fantastic team around the entire world of professionals, who use extensively innovation and technology to ensure that they're coming up with new products to aid our customers, but also to ensure that they're using innovation and technology to assess exposure very well.

Those teams are local, so they have a good sense of what's happening in the local environment and know which client and which risk they should be on and which clients and which risk they should not be on. We remain optimistic that this is an area that will continue to grow, but as the TLP framework also shows you, we don't just try to go every single thing. We take a view on a line by line basis, certain lines are clearly attractive. While you look at credit and surety going into 2021, that's an area that we do not see as an area, we should be deploying more capital at this particular time of the cycle.

Then I come to regionals and nationals which I mentioned in the strategic framework, which again from our perspective, we see as an attractive client segment that we have grown between 2017 and now. But if you look at the distinguishment between our global clients and regional and national client, we clearly have a higher market share with our global clients. And in our view, this gives us opportunity and potential for growth with the R&N segment where we see our portfolio as quite profitable and also less volatile.

So growth in the regionals and national space, it will require us to partner with brokers, who have penetration in this particular space to be able to access a number of clients that today we do not access. We see opportunity for growth across the entire globe, which is represented by the chart in the middle, where in the midterm, we expect this line of this segment to grow in line with our GDP overall. Clearly, part of what also enables us to grow in R&N is the fact that over time, we have become more competitive as a company because this is a segment where the ticket size is smaller. So you have to be able to process this in a much more efficient way and your cost base also has to be in line with that -- with the goal of being able to deliver a price that -- a price point that customers in this segment find attractive, but is an area that we clearly see as having opportunity for us to grow at really, really good margins.

And I come to this slide which looks at the performance of the P&C business over a longer period, split almost into two segments, which is the two periods, the chart on the left-hand side. Looking at sort of like the long-term normalised combined ratio for the P&C business versus the actual. And when we look at the actual and the expected and the deviation is driven in recent times by two main things. One is the performance of the nat cat portfolio and the other is US liability.

In the nat cat portfolio, I think if you look over the entire period of time, the two dark blue bars over the entire period of time, so that tells you that our performance over the entire period of time is not far from what we expected, mostly in line with what we expected. And when we look at the recent period which is since 2017, in reality the performance of our nat cat portfolio is largely in line with that of our competitors, so it's not out of line. So I think it's important when we look at nat cat to look over the cycle.

Now having said that, clearly a number of lessons that we've learned and in the areas that we've learned lessons, we are making adjustments to our model; as Thierry mentioned, adjustments to the assumptions that we make in terms of like the guidelines to ensure that the performance of nat cat is in line with exactly what we expect.

The other which is US casualty, with the chart, the light blue, you see in the earlier part of the period significant reserve releases in more recent times driven by the lost trends, which were clearly worse than what we expected; clearly, we were not able to offset the worse than expected lower strength in US casualty from other parts of the portfolio, which is why in the latter part you see a little bit of reserve strengthening, and we've tried to address that through a combination of factors; Thierry mentioned some of them which is what we do in terms of reduction of exposure in areas that we feel we cannot generate the sort of returns that we should be generating. But also in the other part of the portfolio, increasing significantly the reserves that sit there and also shifting some of the initial loss peaks higher to give us far greater confidence about the performance of that part of the portfolio. So it's something that we saw we are addressing very strongly and comprehensively.

I will now shift to Life & Health, which has delivered solid returns for us. Since (inaudible) in 2014, the ROE that's been delivered by Life & Health, our portfolio is in the target range that we've indicated between 10% and 12%, and that's by generating good new business, but also actively managing the in-force portfolio as well. And talk about the new business. Again, here you see in terms of growth of the Life & Health business, economic premiums more than 50% growth since 2017. But also in terms of the economic profits that we expect from the business over $1 billion each year. With the ROE, as I mentioned, at over -- at the top end of the range, so over 12%, and we expect that we will continue to see opportunities to grow our Life & Health business. We do that carefully, especially in an environment where interest rates are lower. But even with the lower interest rates, I think it creates challenges for a number of our clients which by its very nature spells opportunity for us and we will walk alongside them and ensure that we are able to support them and at the same time find a way to try and grow our own portfolio.

It is similar to the other areas. We look at each element of Life & Health. Certain risk pools are far more attractive than others, and in certain risk pools where we've seen significant growth, if I take critical illness as an example, then we now have good market share. We've moved to an environment where we focus on trying to move away from hard guarantees to soft guarantees and make a number of other adjustments, it's why we place the portfolio in the enhanced category in a steering framework.

The growth, as I mentioned, if you sort of like look at the in-force -- sorry, the new business as well as in-force, the profile since 2012, material change in that profile. The first element you see is the quantum of economic profits that were generated in 2012 versus 2020, much more than 50% growth in the absolute number, and then the second is the composition of the economic profits that we generate, where before it was dominated by North America, now, you see greater balance around the entire world and you also see greater contribution coming out of health as well as longevity compared to 8 years ago.

This element from a new business standpoint clearly has an impact on the in-force portfolio as well. So you now see a situation where Asia represents 16% of the in-force portfolio; in 2012, that number would have been close to 5%, and the same thing for EMEA, so Americas no longer dominate the portfolio overall. And when it comes to the US, that means the pre-2004 elements of the portfolio which was over 50% of the in-force business in 2012, is now less than 20%, and we expect that that number will continue to fall. And by 2023, the drag that we experience from the pre-2004 on our US GAAP earnings will also significantly reduce.

And the in-force business we actively manage. We make sure that the motivation for managing that and doing transactions so in the form of recaptures is an alignment of interest between the client and us. And from the client standpoint, their motivations are generally because they're trying to rebalance their portfolio. They are trying to manage their balance sheet or looking at different ways of earnings recognition. And from our perspective, we look at how we generate economic value out of this recapture. And if we look at the last two years roughly starting from Q4 of 2018, we have allowed clients to recapture roughly $1.3 billion of liabilities. This is still a small, very small percentage of our in-force liabilities, but that -- those recaptures generated roughly $150 million also in the US GAAP -- from a US GAAP standpoint. And the bottom half of the chart just shows you two examples of these recaptures and you can see clearly the motivation of the clients and us, while sometimes they're slightly different, there's benefits for both organisations in the recaptures, which is why we allowed those recaptures and will continue to do so, it's just a healthy part of ensuring that we manage the in-force, which is generally very stable.

And the left-hand side of this chart put some numbers behind the concept that Thierry showed in his own slides where you can see for 2020, the earnings that we expect from our business, looking at it from a EVM standpoint and looking at the commensurate US GAAP impact when you look at both components and then trying to translate that for the emergence of the earnings in US GAAP overall.

Over time, our clear expectation is that the economic profit that we generate on an EVM basis will slowly work -- will slowly sort of like confluence with the earnings that we declare on a U.S. GAAP basis, and the chart shows you exactly why that's the case in terms of the profile of U.S. GAAP earnings. And when you look at U.S. GAAP earnings, the in-force business and overlay in each year, the new business that you write on an economic value basis. So over time, our clear expectation is that the growth that we have seen in economic profits in the Life & Health business, that will begin to emerge and show through in U.S. GAAP, especially when the new business sort of replaces sort of like a low -- less performing or non-performing prior business in the in-force business.

So this leads us to -- we try very hard not to serve like -- give any sort of forward-looking statements, but we give you a sense of assumptions that we make and those assumptions what they lead to or what they will become for us. And on the P&C -- from a P&C standpoint, we expect to continue the downward decline of our combined ratio. Christian already mentioned this, so he stole my thunder or I guess the press release stole my thunder on this one. So at the end of the day, we would expect a combined ratio in the P&C business to be 96% or below.

In February, we will give you the exact number for 90 -- for 2021, because then we'll have gone through renewals for 1/1, we get a good sense of the business mix of the portfolio and then we can give a more specific number, but for now, we are comfortable saying that, that number will be 96% or below for P&C. So continuing the exact trend that we have been on the last five years.

From a Life & Health standpoint, we stay absolutely committed to the 10% to 12% ROE, in terms of the expectation for the business. For 2021 and 2022, we expect that the ROE will probably be towards the lower end of the range, but it's important when I talk about the lower end of the range to also match the ROE up with the shareholders equity. The shareholders equity that we see for the business at this particular point is now over $8 billion driven by unrealised gains and driven by the interest rate environment that we happen to be in. As we have the crossover of the pre-2004 business in 2023 and the drag, the earnings drag reduces, we expect the ROE to move more towards the upper end of that range.

So I sort of conclude with a few things. One, reiterating the targets that we have put out before, so the 10% to 12% for Life & Health and 10% to 15% for P&C over the cycle. But also introducing the 96% or below combined ratio targets in 2021 for the P&C business. But fundamentally, we focus on differentiation in the three pillars for the reinsurance business that is the strategy, it has worked well for us and we believe very strongly that it will continue to work for us moving forward.

We think the business environment is very constructive for us to deploy more capital, so we would expect to grow our business in 2021 and especially in the nat cat space and as I mentioned in R&N, we see good opportunity to be able to penetrate since we are underweight in that segment, also addressing areas that has created deviations in the past in U.S. casualty, we're clearly taking action in this space. And Life & Health which has produced -- which has had a solid track record, we expect that to continue to be the case, continue to generate really good new business, which we expect to translate to the earnings that we see in U.S. GAAP and also making sure that we actively manage the in-force portfolio.

From a solution standpoint, the demand that our client show tells us that this will continue to be the main area that drives differentiation for us, and will increase economic power for the reinsurance business. So overall, we continue to focus very strongly on increasing the earnings power of reinsurance business. We will do that through improving margins and focusing on profitability and making sure that we have the right portfolio mix overall. So that's the story for reinsurance and now I will hand over to my colleague, Andreas on --

A - Andreas Berger {BIO 15171017 <GO>}

Thank you, Moses. Yes, last but not least CorSo. CorSo has come a long way, had made strong progress and addressing not only the shortcomings from within the business, but also at the same time starting to implement a strategy for the future. And I think this is something that is very dear to our heart. We said right from the outset that we're not only addressing the fixed part of the business creating the foundations for the growth.

We at the same time said, we're going to look at the customer needs, we're going to look at customer pain points, and also at industry inefficiencies. So now is the moment really to address it as Christian already said and a lot of people prior to my presentation now, we made good strides, positive strides, but I'm well aware of the old saying, one swallow does not make a summer. Perseverance, hard work, discipline implementation and have a clear conviction. This all came together and you could have seen it already. Q1 showed very small already positive trends that was more pronounced in Q2 and Q3, and we're very confident that we're moving on into making a very positive stride towards the end of the year.

Now I want you to take away three things today. Number one, Corporate Solutions is core to the Swiss Re Group strategy. Number two, we are operating in a scaled, attractive, commercial insurance market. And number three, I'd like to talk you through the update on the turnaround to the story of CorSo, but let me build on what Christian said before, as CorSo is an integral part of the Swiss Re group strategy, the profitable growth and vision of Swiss Re Group. And we can very clearly repeat again that we're very well on track with our turnaround story to achieve the 98% or better, that's the new announcement basically. And this we will do because we'll will have access to and we've got a strategic engagement with corporates and this differentiates us to other groups, reinsurance groups, but also in the combination also of the overall corporate market.

More and more, we will be basing our strategy on refined and forward-looking data and technology infrastructure and supported by capabilities and new capabilities in the underwriting; Thierry was talking about the future of underwriting, CorSo is a very good example and we can come to this a bit later. All-in-all, this will lead to us being much more customer-focused, better diversified and more cycle resilient as a company in this market. I reference the scale of the market, we are working in a $800 billion market when we talk about the commercial insurance space and the Swiss Re Institute has projected a growth in this market and they're predicting a plus $1.2 billion market in the next decade, although, very fragmented, but this is just too big to be ignored from our perspective.

If you look at the addressable market for Corporate Solutions, then it's divided 30/70, 30% is really in the space, the large corporate bespoke mid-corp space. And remember, we have separated our Chief Underwriting Officer in a bespoke Chief Underwriting Officer, that's the space that the bespoke Chief Underwriting Officer is operating in, but we're not ignoring the other part of the market here, we are operating with much more specialised, targeted, standard propositions, also very much through partnerships, distribution partnerships and also in particular through joint ventures. Bradesco in Brazil is one very good example, where we get access to this mid-corp and SME market with very clear, very broad branch networks from Bradesco. This expansion into the 70% will obviously diversify our portfolio much better and will bring us also to a lower average expense ratio in our overall portfolio.

Now, if we look at the access to the customer value, we've done an exercise to really identify who really the corporates to the target market really is. We identified 40,000 corporates, those are groups; obviously, they've got affiliates and branch offices and subsidiaries, that numbers exponentially would go up. But if you look at corporates, we're talking about 40,000. They represent $230 billion of gross written premium and the good news is 11,000 of those 40,000 already are in-force businesses for us.

Now if you look at this 11,000 and then you can imagine there's a substantial growth potential, penetration potential in this customer universe. If you look at our gross premium written, then it's subdivided in two camps, basically 55% is large corporates and the rest is mid-sized and others amongst the large corporates and that's the good news, 35% is really where we have a very strong almost direct relationship, at least the tripartite relationship with brokers, but very often also a direct relationship. And those direct relationships are very profitable.

If you look at 123 key accounts, managed accounts, those are the most high touch accounts where we bring distinct value propositions to the customer. Over the cycle, they have outperformed very strongly even in the soft market cycle. So it's a very sticky business, very profitable business and this will lead obviously to us being a specialised, risk partner for those corporates with good close relationship and that obviously provides also the entry point into the Swiss Re Group for iptiQ and other parts, for instance, P&C solutions that we have mentioned already.

Now let me talk to the turnaround story. We have already said that we will focus on technical excellence and this will set the foundation to pursue future opportunities. Opportunities we mean by growth, profitable growth opportunities. Now let me start with Excel with the basics, this is what we call our fixed program. We were revisiting the portfolio. We were strengthening the underwriting discipline. We were looking at a stronger operational excellence and productivity. And this all together in turn provided opportunities to capture market growth within what we labelled our de-commoditised core business, meaning businesses or lines businesses or segments where we knew we were strong, where we had assets that we could bring to the party.

Secondly, we would grow with our differentiated primary lead propositions, and lastly, we're very aware of the fact that more and more beyond risk transfer, the service part of the business is playing a role, and here we're advancing also the business model and this obviously underlying with much more technical and data infrastructure and the capabilities that I have just mentioned.

Now let me talk about Excel with the basics, and here this is something that we have mentioned a few times, the implementation of our management actions that we started in 2019 are ready ahead of plan, and this is what I called the walk to the underwriting profitability. We're starting with a 110% normalised combined ratio in 2018. We have to increase our initial loss picks, we have spoken about it and this added another 8 percentage points on our combined ratio. We then looked at the pruning of the portfolio. We were addressing earmarking $900 million of gross written premium that were not strategically core to us, where we were underperforming, where we had structural cost disadvantages or where we believed the market per se will not turn into profitability. We had mentioned to U.S. casualty as one element, but that wasn't the only one. We also had addressed Marine Cargo, General Aviation and in those event cancellations, we had mentioned it in the context of COVID. This was a very brave move, but it paid off.

Here we can say now with conviction that towards the end of the year, we will have accomplished 85% of it. The rest will obviously come a bit later and also due to the earning patterns and U.S. GAAP, you will obviously see it over time, and this is the good news here. A very, very strong part, a substantial part driver for the combined ratio improvement was the rate increases. Here you can see 12% positive effect on our combined ratio, we have seen 3% rate increases in 2018, and then suddenly already in 2019, we could generate 12% across the old portfolios, old lines of businesses.

Year-to-date, we stand at 15% and we're very, very confident that this is going to continue not only due to low interest rate environments, but the market and all participants in the market show that upward trend. 2% net expense savings, they were offset obviously by increased reinsurance protection and then we had a positive impact by lower-than-expected man-made claims activities and this factors here for 4 percentage points in that combined ratio. So all-in-all, this led us to the 98% combined ratio on a normalised basis, obviously, excluding COVID for nine months in 2020.

If you now add the man-made losses on a normalised basis, we would have been then at 102% and this is definitely significantly better than the communicated 105% combined ratio towards the end of 2020. That's why we're very comfortable and confident that we will achieve our target. Now we have spoken about the (inaudible), we have to listen to the Q&As. Before people were saying, okay, what does that then mean to your target, we set out 98% for 2021. We nevertheless see impacts still coming our way that makes us a bit more prudent. We see that the man-made claims activities at least what we expect will come back to normal, that's one aspect.

Secondly, the economic downturn due to the pandemic will have an impact on our credit & surety book, this is also a factor that we have to take into consideration. Thirdly, we are investing into business, we are investing into growth and I'll talk about a few areas a bit later. Those investments are initial costs, the ramp up costs and they go against a contracted net premium earned base, because of the pruning of the portfolio. So it is revenue-generating. It's a positive growth, that this is those investments that we have to factor in and additional reinsurance protection as also mentioned.

One aspect that is not mentioned here, and you have asked it in your Q&As is the elipsLife portfolio. This is not factored in the numbers here yet, but for 2021, it's included into our business. So if you take all of these aspects together, we feel comfortable to be at 98% or better. That's what we lay out for the 2021 outlook. The good news is that when we decided the pruning, we will obviously -- the intent was really to rebalance our portfolio, on the one hand on the geographical side and on the other hand on the product split. So if you look at the geographical side, you see definitely a decrease in the North American share from 54% to 48%, and North America's share is mainly U.S.

Canada is the one very profitable market, and we're very happy with our position there, it's growing. But U.S. obviously, we have to do some de-risking, in particular, on the U.S. casualty side. You see that EMEA grew from 22% to 26% in the mix, this is intended growth and that was exactly the rebalancing of the portfolio that we wanted to see and we continue to grow in this market and we will see it also with the weight increases that are very pronounced in EMEA, in particular, and also in the property line of business.

Just the word on Latin America. As America is going down here, Latin America started a bit later with the turnaround program. And the rate increases that you see in Latin America are not as pronounced as in other markets, so there is a time lag here. So only now you see really the rate increases coming through also in Latin America. So we expect Latin America to be much stronger going forward and it's a market that we have a great interest in.

Now on the product split, you see very clearly we're growing where we want to grow, 30% to 40% increase in the share of our portfolio in property. And remember in property, we have included the event cancellation, so all the pruning is already factored in, so 40% of the total share in property is very healthy, that's what we like. We also look at other lines of businesses like credit & surety, where we see then that the cycle management is working. So we already noticed in 2019 that we were in a downward cycle. In Q3 2019, we started to reduce the exposures and to capacity in credit & surety. And now this is the line of business that we're watching very closely, in particular, in the context of the economic downturn. But also, we will definitely see a moment when we're ready to benefit from the growth in this market. We're very strong and the teams are waiting and managing this cycle management very well here.

So this is the portfolio side. On the right-hand side on the top, you see that the gross written premium that we lost is not significant, because it was counterbalanced by the price increases. So that's the good news here, so price increases we factored in, but not to the extent that we could actually get it through in the market. And on the lower right, you see that on the net exposure, we have been very prudent. We're protecting our balance sheet here by reducing our net share on the risk and here you can see to what degree. So overall, we feel that we are very well-positioned in this market, our capital allocation is going in the right direction in the right portfolios and this is the positive news.

Now how can we ensure that we're not falling into the commodity trap again of a future software [ph] cycle, and address the unprofitability in this market. It's on the left-hand side, the technical excellence and on the right-hand side is the cost element. So both parts of the combined ratio we're addressing. Costing accuracy, reserving accuracy, profitability, those elements are key. Remember, Thierry already mentioned it, technical excellence, and here you can see it live in action. CorSo, we have a systematic steering and performance management framework called CorSo Smart Circle, and this here is really addressing closing the loophole elements addressing the costing and the underwriting and resting the claims and the reserving side. And most importantly, on a quarterly basis, we look at all the trends and we look at costing gaps and as soon as we identify them, it goes into the costing tools into the underwriting behaviour and then we get to close the loop again and this is a continuous circle, so that we avoid falling into that from a commoditised gap trap again in this market.

Now I have to say, this is all based on state-of-the-art data modeling. Yes, we have created the analytical data model for the CorSo portfolio. This is the single version of truth leveraging the group with the Stargate program, and this is a treasury data lake that we use with very clear analytics that EVA's decision, informed decision-making on data.

On the right-hand side, you can see that we have strengthened our cost discipline in the company. We have addressed the organisational structure with delay at the organisation. We looked at the footprint and we looked at improving our underwriting processes to increase the productivity. We're using state-of-the-art infrastructure. And we're also looking at the operating model. As I mentioned before, we've got the Chief Underwriting Officer standard, and there's the area where we look at the small tickets, the small average premiums policy are going through this more standard, automated or semi-automated way of underwriting. The expense ratio has improved by 2%, and this is a very good sign as I'm not hiding that we want to improve it further. We need to improve it, in particular, as we have heard underwriting margin is key in the low interest rate environment. So you will see more efforts and this is a continuous expense management exercise, it's not a cost cutting, it's an expense management exercise where we want to improve.

$120 million or more than $120 million gross savings we've achieved. Obviously, we also have then used some of it to reinvest into our business. We were talking about rate increases and hardening of markets and here you can see how the situation looked like at CorSo. So you see the compound price quality increase and we also laid out the -- separately the property increase. This is a very, very interesting one. You can see that in the CorSo portfolio, we have a much more pronounced rate increase in comparison to some of our peers, because we are very much operating in the large corporate end of the market, where the rate increases were much more severe or steeper than in other markets.

We still believe that there will be upward pressure on rates and that will continue. And we see this not only through loss inflation, but also the low yield environment as we said, and also in total, the whole COVID market environment is supporting this rate upward pressure. We're using this for opportunity to grow to. We have now agreed on a business case and we're implementing it as we speak to grow in property. Yes, so we receive so many submissions, asked for capacity and good quality capacity that we couldn't work on it anymore. So we're hiring more than 30 people just in EMEA to address this growth opportunity. Now is the opportunity, now is the window that's open and recapturing this growth and we're very well-positioned to do so and increase our technical margin.

Primary Lead initiatives and proposition, you have heard many times in many years about this, this is something that started quite early already, and here you can see that we started from an excess and follow business and the 20% lead business, we started with in 2014, have increased to 45%, and we see it increasing in our plans to more than 50% going forward. This is an area, the sweet spot, where you feel comfortable with. And here on the right-hand side, you can see three initiatives that are part of our growth initiative.

Let me single out the middle one, the captive solutions, because in particular with the hardening of the market, the customers are looking for capacity. They can't fill their capacity gaps enough anymore and the rate increases -- increased their budget capabilities internally. So what are they doing? They're obviously looking at alternative risk financing instruments. Captive solutions is a very strong instrument, high in demand at the moment, and this is not geographically focused in one area, this is a global phenomenon. We're extremely well-positioned with our innovative risk solutions team. We have added to the team. We have invested into a captive solutions team. And what the customers want, they want obviously the structuring capability of a partner like Swiss Re Group solutions.

But at the same time, they need the infrastructure for fronting, so that's why we also can make use of our fronting capabilities, of our infrastructure, and of our technical platform that is state-of-the-art. So fronting and captive solutions goes together and this forms the international program. So on the top, you see international programs and the tradition form, but in particular now in this market environment and particularly for captives, that's quite important to note. And now in order to balance the portfolio to take the volatility out and also to reduce the expense base, we have the standard proposition. So those three elements we're focusing on and will put us in a position not only to excel now with the de-commoditised core, but also in the future capture market opportunity.

Innovation, innovation in particular, is pronounced in the area where we talk about initiatives beyond risk transfer. The international program platform I have mentioned already, this is something that we collaborate very closely with reinsurance, so our reinsurance colleagues as part of solutions can offer it to their seamless customer base. We have brokers who use it and we've got a very strong pipeline of customers who really would like to have this fee-based business. This is very important, because we're addressing an industry inefficiency. We had very clumsy, frictional processes, cost in the process and this is something we can address and it has the potential to be one of the standards in the market to administer international programs.

At the lower end, that's a very exciting, innovative thought and we're forward integrating into our customer base to corporates and we're teaming up with corporates and integrating into their products. Here with Hitachi, in particular, we have announced it. We're forward integrating and integrating into their software maintenance program that they offer to their end customers to machinery -- machine manufacturers, OEMs.The interesting part here is that we are not working on historic underwriting data to do our underwriting. Here we're using sensor-based, real-time information and offer protection to Hitachi so that this is an integral part of their software program. It's not a standalone insurance program as we know it traditionally.

Now all of that is leading to our position in the Swiss Re Group. We're using our long-standing years of relationships with those customers and opening them up to the Swiss Re Group. Here you have three examples where we could open up 13 years of Microsoft relationships on the primary corporate insurance side and open them up for the B2B2B proposition with iptiQ and others. Daimler, we have with iptiQ that has announced a joint venture. Ad Verily, that's an Alphabet company. We're working on the A&H space with P&I was supporting us on the investment side. So this is more and more becoming an integral part and important part of our group. We have created one specific unit. It's a corporate partnership unit. The corporate partnership unit is reporting to me but not necessarily as a CEO for corporate solutions but as the member of the Group Executive Committee, because this is the entity that navigates the customer through Swiss Re and vice versa. It helps Swiss Re to be much more effective in capturing those opportunities in the markets.

In summary, we're becoming a specialised risk partner with deep capabilities and selective lines of businesses and segments. We're confirming our target 98% or better, as we said, this is the new part, and we're very confident that we're adding value also to the group. Thank you very much. And I think we're going to the Q&As now.

A - Thomas Bohun

So coming from RBC, Kamran. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, good afternoon, everyone. Three questions. The first one is just around nat cat too. I guess there's some indication that some secondary perils, especially, have increased your expectation losses there. What do you think the outlook is for nat cap ratios? I know you've kind of given us a steer on the overall combined, but what's the expectation there? And the second question may be a longer-term question. When you think about Swiss Re, I mean we've heard about One Swiss Re, you're moving people around the business which I think makes for excellent kind of careers and kind of motivated staff within the company, but what does that do to underwriting expertise? Do you think the kind of career path need to change in that respect to develop kind of deeper expertise or is there -- or was that kind of already (inaudible) through? Any kind of color on that would be really very, very interesting. Thank you.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Good. I'll take the first question, around expectations, around nat cat risk, Kamran. I think from our perspective, we continue to view this risk as extremely attractive. I think as I mentioned in my session, we sort of look at the performance, look at areas where we feel we need to make adjustment. I mean so you mentioned some of the secondary perils or the climatic perils, so those are things that we've looked at and said, okay, we need to model them to -- with a greater degree of proficiency, and we then make adjustments to the model, to the pricing, to the guidelines both in terms of the CapEx sales or the aggregate contracts that we put in place. But we remain extremely comfortable with nat cat risk. We feel we are one of the foremost experts in the entire marketplace. And when we look at our A versus E, I think as Thierry mentioned, over the long-term, it's point on, right? So there's nothing there that gives us a sense that we need to worry more than we should, if anything at all we are deploying more capacity to the nat cat space.

A - Thierry Leger {BIO 16674977 <GO>}

And if I may just build on that, in climate change, we have been observing climate change already since 10, 15 years and we thought about the impact it could have on some of our major perils. And there wasn't really much movements, so what actually was new is that we finally could observe the impact of what we think is climate change. We shouldn't overestimate, however, the climate change impact as such, there have always been many other things impacting the secondary perils and climate change as I tried to point out was just one of the drivers. And again, we can adjust our models, it's our proprietary models. We did adjust these models and because these covers are yearly renewable, we actually can adjust very quickly for the new models to implement them. So if you're asking about the impacts on the combined ratio, we expect that to have a positive impact on the combined ratio.

On the second one, on the career and I'll ask my colleagues to add if they wish. On underwriting, it is really the soul of Swiss Re. It's -- I mean Swiss Re has always been for more than 150 years an underwriting company, so it's certainly very attractive to be an underwriter at Swiss Re as it is the core business of what we are doing. We have always been able to attract excellent talents in Life & Healthy, in P&C, in the space. Of course, we train them, we nurture them, they become experts, they become desirable in the eyes of our competitors. So we do lose from time to time talents to competition or even to our clients, that's the name of the game. But we continue to be attractive, we continue to invest in our underwriting expertise and certainly talking of underwriting of the future, we realised that there will be different skills required in addition to the traditional underwriting skills more in the space of data analytics, for example, but also understanding technology and that's the world becomes more and more connected, technology is also more of a driver on the exposure side. So we will need people coming from those spaces much more than in the past.

A - Andreas Berger {BIO 15171017 <GO>}

Hey, let me add to that and the One Swiss Re as you mentioned, Kamran, you're referring to moving people around the organisation. And of course, there has been benefiting from this by the way, yes, so we are a pretty fluid organisation where people moving from asset management now to the Chief Operating Officer. But in the business, we have started CorSo with reinsurance colleagues primarily. Over time now, we have to revisit the situation, because we have to add more talent to the mix. And what we have done, we've conducted a capability model exercise coming from who do we want to be in this market, we want to be a market leader, a thought leader and first mover in the market.

So we needed to identify what are the capabilities that we need also for the future, for the database, the database and technology-based solutions and find the right mix between the traditional underwriting and then the underwriting of the future claims is the same story, we had to add a lot of expertise, in particular, for the claims analytical piece. So we recognise that we are becoming also very attractive in addition to the attractiveness that we already had in the past, that's something that we saw in CorSo. We have had tremendous intake of people and we did not only reduce the staff, yes, our net was a 10% reduction, but we had a lot of intakes from external and this mix now is a much healthier and much more resilient mix, in particular, when we talk about the challenges.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Yes. I think the only thing I'd just add is, I think the -- maybe to change the perception slightly, we have far less people that moved in than you seem to indicate, right? So we have a few people that moved here, but in the core in underwriting, in actuarial, in business management, in claims and it is the professionals there, the career people in that space and as is the case when you have people who are ambitious, some of the population move but in the core, most of them do not move. I just wanted to reiterate that point. Thank you.

A - Thomas Bohun

Thank you, Kamran. Andrew Ritchie from Autonomous. Hi, Andrew. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hello. Hi, there. I wonder if you could just give us an assessment of how you feel the buffer in the casualty large corporate risk reserves have developed over the year? Or is it hard to say because I presume new (inaudible) development had occurred because obviously courts have been out of action. But maybe just give us an update, I guess from Thierry on the status of the in-force reserves on the large corporate casualty?

Second question, there're reports in the trade press of Swiss Re providing capacity to a new broker facility focused on property cat. I'm not asking you to comment on a specific facility, but in principle, but why would the Swiss Re give its pen to a facility when you are so focused on your own underwriting and your own value-add rather than giving it to a blind facility? Thanks.

A - Thierry Leger {BIO 16674977 <GO>}

I'll take the first question, Andrew. So on the casualty reserve side, I'm afraid I will have to defer to the February reserve announcements where we will talk about our reserves. So you will hear more then, but we remain confident in our reserves, and of course, it is around the reserves and in the best estimates that we establish. It's obviously an environment that is a very dynamic one. So we are observing the space very closely, but you will hear more in February.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Okay. Andrew, I'll take the second question which will remain nameless, and here I think two things is why would we consider something of this sort when we do? For two reasons. One, to access a group of customers that we don't access too today, we don't write today. So it gives us access to the -- to those customers, that's one. The second would be also because you do something like that. If you're quite clear and sure that it will not have an impact on momentum in the market due to its size, which is why we would also do it. And the third, I'm sure Thierry has a point here on profitability, on such things. Yes, Thierry.

A - Thierry Leger {BIO 16674977 <GO>}

Yes. So this is typically, Andrew, the type of business we would like to go into. Moses mentioned it in his part, the smaller type segment, mid type segment, where we have observed good margins over the years, and we had an excellent track record in the space and we have an underweight position in the market. So also, from an underwriting perspective either, it is very attractive and desirable to grow in that space.

A - Thomas Bohun

Thank you, Andrew. We Have James Shuck from Citigroup. Hi, James, go ahead.

Q - James Shuck {BIO 3680082 <GO>}

Hi, good afternoon. I'm going to try with this question, but it might be a bit. But if I look over the last three or four years, the reason why your profits haven't been strong is due to abnormal nat cat, let's say. You did show a slide that shows over the longer term that the nat cats were kind of coming out, where you would have modeled them to come out too. My question is really is when you look back over those losses, and you think about how you use data and the predictability within those models, when it comes to the nat cats, how much of those are nat cats are actually predictable, the model as opposed to just random chance, and how is that percentage, if you're able to tell me, how do you think that percentage of predictability has increased over time? That's my first kind of tricky question.

Secondly, I'm just intrigued to know about the strategic asset allocation. You haven't updated this for many years now. You've obviously had the disposal of ReAssure interesting though you have $21 billion of cash and cash equivalents in the context of $170 billion of assets. What should we be thinking about in terms of that asset allocation particularly with the liquidity element over time, please?

A - Thomas Bohun

Okay. Thank you.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Maybe on the asset allocation, we can take that offline as Guido Furer was here this morning and then we can try to answer that after this meeting. But for the other question.

A - Thierry Leger {BIO 16674977 <GO>}

So James, that we start with your question around nat cat. We have our proprietary model. So and as I said, we have a high -- very high confidence into these models. We model 180 different perils. And as I said, each event is a new learning point for us. So we are not arrogant in believing in our models, telling us always the truth, and the models can look 10 years out there, but our models have actually pulled them together with our underwriting judgment and our capability to adjust the models every year again and put them into the re-underwriting of our portfolio is very fast, that combination has actually proven really valuable. You had a more precise question around how much actually is it just waiting for something to happen and then increase prices and somewhat follow the markets, and how much is really model-driven and how much is more experience driven. And I think that's on the main perils. I can say with confidence that the majority of our price costing is actually really coming from the models. They have a forward-looking view in the models. So it's only partially what we observe every year that's going to influence obviously more so over time our models.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Yes. Maybe the only think I will add on I mean Thierry -- on Thierry's Slide, you could see it, right? So if you look back and say, what was it that was maybe slightly different from what we expected, it's mostly around the secondary perils. Bushfires in California or Australia, flooding in elements like you have multiple events, an Olympic (inaudible) built in Japan with the nat cat, which means that there are social inflation on costs as well, so some of these things are probably one or two of the learnings when you sort of look back, but I think Thierry's comment on the models being accurate is something that I completely agree with you.

A - Thomas Bohun

Thank you, James. We have Vikram Gandhi from Societe Generale. Vikram, please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello, good afternoon, everybody. Just one question from me. Looking at Slide 62, I'm looking at how the expected nat cat budget versus expected premium has developed and it -- I think the numbers imply that the expected loss ratio has improved from 57% in 2018 to 42% in 2020, if that's a right way to look at it, so that's about 15% risk adjusted price improvement. So the question I really have is given that you are at 42% or about 70% to 73% on the combined, which doesn't certainly look like a skinny margin at all, how much room for improvement is left from here on? And how much push can you give towards the interest rate erosion since I think nat cat business is also quite less sensitive interest at point because of its duration? So that's my only question. Thank you.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Okay. I'll start and Thierry will say a few other things about this. I mean so, I don't think it's the right way to look at it by just simply taking the expected nat cat project into the expected nat cat premium and say that's the loss ratio that you expect because this is across the different ways in which we also look at that. So that's one. The second is in terms of your second question around the expectation for price movements in the market, if indeed it's already at very attractive levels. I think all you have to do is go back to I don't know which slide it is on Thierry's deck, which shows the nat cat index.

Overall, I think that's the first slide that Thierry used which was Slide 41. And I think you look between 2011 and 2016, and see the rapid decline in price and in the marketplace, so you don't get to 100% or 110% since there you stop, because we know we run through cycles and those cycles -- the down cycles also tend to be relatively long. So when there's pricing across the entire portfolio, you move to try and move the price to a point that gives you rate adequacy and try and build an element of some margin, so that when prices begin to come down you have some rooms, it's not every single year that you have to make the adjustment. Thierry?

A - Thierry Leger {BIO 16674977 <GO>}

Yes. There's not much I can add actually. I can add Moses to what you said, I fully agree with that. I mean historically, and if I say, historic, I'm talking of the last 15 years, we had periods with far higher price levels or price adequacy levels than we have today. So I believe there is in theory a lot of room upwards. And it is actually very much a question of demand and offers, so it is going to depend in my view on how quickly the offer on the capital side is going to go into the reinsurance business.

Right now, as you can see on the same slide Page 41, we have seen some stabilisation of the capital in the reinsurance space which indicates some hesitation and my personal view is that COVID-19 will probably prolong that for a little, maybe my hope rather than my belief, we'd put on this for a while just given the uncertainty it creates.

A - Thomas Bohun

Thank you, Vikram. We have Vinit Malhotra from Mediobanca. Vinit go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, good afternoon. And so, I'll take two follow-ups given just on the Slide 62 again, if you don't mind. The -- I mean, I'm just trying to understand how much of this is the loan book and how much is the ACP business here in the $3.3 billion, and maybe that explains some of the GAAP in the loss ratios you just talked about. So can you just comment a bit more on how much is your own and how much is ACP? That's first question.

Second question is for Andreas. The -- we talk about international programs and I feel many years ago maybe I was at another last commercial insurance company's Investor Day and we heard about how international programs are linked to trade and how later on that became an issue. I mean trade these days may or may not be very strong. How are you comfortable in the economic uncertainty to push the international programs or maybe the answer is that the large corporate seem to be faring better. So I'd be glad to hear your thoughts on this? Thank you very much.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

So to your first question, Vinit, I think, Thierry and I are standing here looking at John whether -- wondering whether we disclosed how much of that is ACP and John's in the audience shaking his head, saying no, we don't which is what we thought the answer would be, we do not disclose that unfortunately, Vinit. Andreas?

A - Andreas Berger {BIO 15171017 <GO>}

Okay. So on the second question international program and how does the current economic environment impact some of the future of international programs or whether it's just large corporates that are asking for it. We see international programs actually growing not only with large corporates in the context of capitals, we also see growing now in the mid-market space. And you don't have to look at it from a global expansion perspective, but also regional expansion perspective.

So you see European programs, you see programs slightly going beyond Europe in the mid-market space. So we're very comfortable. It's a -- it's an area where you don't have a lot of competition, it's probably maybe maximum of a handful who can do this and we think that due to the -- and I see legacy and the clumsy processes and we are in a pole position to benefit from the future, trends in this market, we can really address exactly this problem which makes international programs potentially uneconomical if you (inaudible) and expenses are growing.

So I'm positive, that's what the numbers have shown and you were probably referring to the supply chain topic and that's another area where we are very much focusing on to get much more transparency in the supply chain, but that obviously is linked to the contingent business interruption, business on the property side. But obviously also in international programs, you will see it. But to say, programs -- international programs are very attractive for us.

A - Thomas Bohun

Thank you, Vinit. We have Ed Morris from JPMorgan. Ed, please go ahead.

Q - Edward Morris {BIO 16274236 <GO>}

Oh. Hi, everyone. Thank you for taking my questions. First question is on casualty. I'm just trying to understand a little bit more where you sort of see yourself in the general management of this portfolio. On the one hand, you had a slide which showed that it's really only a few portfolios in reinsurance that you think are below your economic profit threshold. I think from one of the other slides we can infer that one of those is large corporate risks, but just the broader casualty portfolio in light of the price changes that we see, should we now expect that portfolio to stabilize or will it continue to shrink from here? Just general thoughts around that would be helpful?

And second question, maybe just on Life & Health. In the comment earlier in the day, that the COVID pandemic is almost like a nat cats on the Life & Health business. Obviously, extremely unfortunate, but not beyond the realms of possibility. And I just wonder, if you could talk a little bit about how you expect the market to react in terms of pricing on the Life & Health side? So are there -- would you expect there to be changes to pricing for Life & Health type products and similarly exclusions, et cetera? Is there a significant change in the market likely to happen as a result of this? Thanks.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Thierry, maybe I'll start on casualty. So Ed, I think going into certainly 2021 for us in casualty, I think you could see that right on Slide 60, if you take a combination of liability and motor U.S. casualty, so I think it's super important to focus on the U.S. part. You see the arrows pointing towards exposure is down, so our clear view here is with large corporate risk in one or two other areas we feel, we need to reduce our share in that space, because we also see that our market share is higher than what would be ideal. So we're overweight the market and we will move towards market within the -- in the U.S.

In other parts of the world, in Europe, in Asia, we continue to -- we see pockets of casualty that are attractive, even in the U.S., in the R&N space, and we would look to grow that. In terms of the actions that we are taking, it would also be somewhat similar to CorSo. I mean I think we're expecting measures we started already by the way, so it's not new, it's not just 2021 action. We started as Thierry -- as chart showed you from '20 -- Q1 2019 and even before through 2021 and we would expect the majority of the actions to be taken in 2021 that's left. Yes. Thierry?

A - Thierry Leger {BIO 16674977 <GO>}

Not much to add, Moses. I think that casualty is not just U.S. casualty, is also not just U.S. general liability. So I think that we have been focused in rightsizing particularly the general liability of large corporate risks. In the other areas, with all portfolios that we just needed to adjust for price and again further away from the U.S. they have been pretty stable portfolios where there's not much action to be taken. As an example, Asia, we feel very comfortable and if it all we would actually love to growth that portfolio to have further. For casualty, Andreas, do you want to add something?

A - Andreas Berger {BIO 15171017 <GO>}

Nothing to add.

A - Thierry Leger {BIO 16674977 <GO>}

Then let me switch to Life & Health. Yes, indeed it's -- COVID is a pandemic, pandemic is -- if you want the nat cat event in Life & Health. However, it's -- as we said, it was priced into our models already. So I think I alluded to the fact that we therefore do not expect drastic adjustments to the price. But certainly, we will push for higher for two reasons. One is because of COVID and because of the losses that we have seen certainly, there will be more fear in the markets, and therefore an opportunity to increase the prices and there are the low interest rates will also need to be compensated followed by increases -- sorry, increasing the prices.

A - Thomas Bohun

Thank you, Ed. We have Iain Pearce from Credit Suisse. Iain, Go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Thanks for taking my questions. First one is on the nat cat budget again. I'm just wondering if you could talk a little bit around the sort of assumed lost cost increases in terms of the increased frequency of events, more -- secondary peril, these sorts of things, what's assumed in terms of that growth in 2017 to 2020, trying to understand really the increase in severity versus the increase in exposure you've had there? And then second one on the Slide 76. I might have misinterpreted this chart, but is this chart saying that you are -- you have clients in one in three of the large corporate risks? So I'm just trying to understand how if you're trying to reduce commoditization within the business having that proportion of clients in the target market and then looking to grow that number reduces commoditization rather than increases it as you're trying to do?

A - Thierry Leger {BIO 16674977 <GO>}

Okay, Iain. I will take the nat cat part. So I -- when -- it is actually also a good line of business because there are so many headlines created around it. And each time there is a very large loss, it surprises people, it shocks people, there are big headlines, and so there's also if you want, what we call, headline risk involved here. So our model is obviously completely unimpacted by this. Our experts try to look through all these emotions and really look at what actually is happening behind. And there we can say, also in secondary perils, is actually the largest movements have not been in on the exposure side. So climate change does have more of an impact on secondary perils than it has on some of the main perils, but that has not been the main driver for the increase in losses we have seen.

So generally, the increase in losses are coming from more of the values that are actually moving to those exposed areas, so more people moving to areas that are, for example, exposed to secondary perils that obviously we see growing values in those area. And then when climate change moves actually the perils upwards, it's a little bit like a tidal wave, the moment it arises, and at that point in time, surprises everyone, also a little bit of our models, but we can adjust for that actually quite quickly.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Maybe on the second question, I mean the point we try to make here is, number one, we are already operating in the large corporate market space. Remember, I said that we were coming from the Excess & Follow position mainly. This is a very transactional market trading relationships through brokers. What we try to say is that, the market is attractive. Yes, but it's even more attractive, the closer you are to the risk. So here we're saying that we -- the direct relationships that we have translate into an outperformance. And in particular, when you have key account, managed accounts, not everybody will be a key account, managed account. But if you have those, there definitely are in a retention ratio a much higher than the traditional transactional business, the Excess & Follow business because you're not so exchangeable so easily.

And secondly, you can really determine how the risk will be managed, as you are much closer to the risk, and that's the message we wanted to send here. So large corporate is an attractive market. We have addressed the unattractive part of the market, in particular, on the U.S. casualty side, yes, so that was clearly an action point that we took. And this improved the overall profitability of the U.S. based large corporates on the key account management side as well.

A - Thomas Bohun

Thank you, Ian. We have Thomas Fossard from HSBC. Thomas, please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes. Thanks for taking my questions. Two questions for Andreas on the CorSo side. The first thing is on the combined ratio for 2021. It looks like you're pretty comfortable with 98%, but still remaining cautious for the reasons you've explained. But let me try and what would be your rational goal in terms of combined ratio, maybe on three to five years view with how you are willing to have the book in terms of risk? What would be the (inaudible) in terms of long-term combined ratio? Maybe that would be an easy one to answer rather than (inaudible) looking for 2021 combined ratio target.

And the second question will be, I'm just trying to better understand -- as an example of your partnership, you've highlighted Verily. I'm just trying to better understand what CorSo is bringing to the table in this partnership? Maybe you can shed a bit more lines on this? Thank you.

A - Andreas Berger {BIO 15171017 <GO>}

Yes. I hope I understood the second one, because the line was not very good but I'll come to it now in the second. So the combined ratio, look here, I find -- it feels like I'm discussing with our CFO, John Dacey, who is asking today the same question. Now, look, we are pretty granular in our work, when we went through the pruning, when we look at rate increases and how that's earning through on a U.S. GAAP basis. So we know actually pretty well where we end up, and we know the aspects and I've mentioned four of it. Now elipsLife is the fifth element that came to the party. So we're pretty transparent internally, but we can't neglect the uncertainty in the market.

So what we said to ourselves look, let's see how the renewals go this year, and we will come up with the year end to results, and then in February, we know more. And I think you will probably be in a situation again to ask the question and maybe you get a clearer answer from me. But I think we feel very comfortable here. We don't think we are overly conservative. We want to be as realistic as possible. Obviously, we wish to be better. That's why we said we're not sticking to the 98%, we say 98% or better. Yes, so I think that should give you a clear indication that we always try to find very hard to improve it.

The second one on the partnership side. I hope I understood. Your question was probably if we can -- if CorSo can -- what CorSo can contribute --

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

What does CorSo bring to the partnerships?

A - Andreas Berger {BIO 15171017 <GO>}

What does CorSo bring to the partnerships, yes. I mean you just have to imagine. Yes, those are large corporates, and usually, we don't have on a day-to-day basis contact to them. So what CorSo does through their normal trading relationships over 13 years to provide parametric solutions to companies, for instance, like Microsoft. There is an established relationship with those corporates and that deepens obviously over time. And as it deepens then you understand, what are the needs that those corporates have either closer to their core, for instance, like a Daimler as an OEM or a Verily in new spaces, where they suddenly bring in that data analytics capabilities and then look for a risk insides partnership and that's where CorSo can join. And if there's need to bring in other parts, meaning the best of Swiss Re to the party like iptiQ with their platforms on a B2B2C basis, then that's the entry point orchestrated by this corporate partnership unit.

A - Thomas Bohun

Thank you, Thomas. We have Paris Hadjiantonis from Exane BNP Paribas. Please go ahead, Paris.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes. Hi, from my side. I hope everyone is keeping well. Two questions. Firstly, on Life Re and the comment around pre-2004 U.S. business. Obviously, this is not something new. So I'm just trying to understand, are you seeing any adverse development there? Or are you just trying to remind us that this is a drag on earnings currently? And then as it goes our way, you are more optimistic about the future. And then secondly, it's probably too early to ask this question, but I will go ahead anyway. So as you transition from U.S. GAAP to IFRS, how do you think about impact from reserving there? I mean, previously you were taking probably a more best estimate you versus some of your European peers, and U.S. GAAP was always part of the explanation. Now going forward, how do you think about reserving, and I'm also trying -- maybe I'm thinking too much into this, but I'm trying to square the comments that here you got about reducing volatility? So is changes in reserving part of the way, you can't reduce volatility? Thank you.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Paris, in pre-2004, no, we're not trying to give you any sort of a warning signals that it's getting any worse. If anything at all it's the opposite, right? What we try to tell you is that in 2023, there's a crossover for certain tasks of the portfolio, which is significant from the pre-2004. And as a result of that, the earnings drag that we see would be significantly less. So that's more the message that we try to give, not that it's worse. And on the reserving question, John Dacey's in the audience. He is winking at me saying, you're too early with the question. But let's see whether Thierry wants to answer to it.

A - Thierry Leger {BIO 16674977 <GO>}

I think we very much like the question, Paris. But if you find we prefer to defer to later on this question.

A - Thomas Bohun

Thank you very much. We take one last question from Ivan Bokhmat from Barclays.

Q - Ivan Bokhmat {BIO 15378004 <GO>}

Hi, good afternoon. A few questions from me, please. So first one maybe to Moses. On Life & Health slide and you've indicated that you might be below 10% ROE hurdle in 2022 as well. I'm just trying to understand the drivers behind that? Wondering if there's any carryover from COVID or the disability mentioned that you've made or just purely lower interest rates?

The second question, it's on the P&C side. Just ahead of 1/1 renewals, you mentioned that there is more demands for reinsurance solutions. But thinking about your core business, we obviously know primary rates are rising. So there possibly would be slightly higher retentions at the (inaudible) level, and of course, the economy is not in the great shape. So I'm just wondering, what's happening with the demand for the underlying business? And maybe if I could squeeze in the final question just about the 2021 guidance of 96% or better. Why wait until February? I think most of the book has already been written for what you're going to earn in 2021. So maybe you could just tell us what's the range of outcomes that we could raise us all for? Thanks.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

Okay. So Ivan, I'll try and go through those rapidly. So on the Life & Health, '22 below 10%, no. I mean, I think what I said is, we expect to continue to deliver between 10% and 12%. I think the arrow just shows you naturally, if you say 10% to 12%, yes, there is a chance that you may be slightly below, but we expect for '21 and '22 to be on the lower end of the 10% to 12%, not below 10%. And from '23, when the drag disappears, we expect it to -- we expect that to go up.

On the '21, why not make a commitment now below 96%. The reality I think as Christian mentioned to you in '21, you earn half of the business you wrote in 2020 and half of the business you wrote in 2021. In January, where we write a significant proportion of the business, we write in '21, we get a sense of the portfolio mix, which gives us a far greater sense of the accuracy of the prediction that we will need to make around what the combined duration would look like for P&C. And since I'm a bit of a scatterbrain, I can't remember your second question. So my friend here Thierry will take it.

A - Thierry Leger {BIO 16674977 <GO>}

Yes. It was Moses -- it's maybe for you still, it was around the demand, whether clients confidence in the higher prices actually would rather increase their retentions.

A - Moses Ojeisekhoba {BIO 17934789 <GO>}

It's for you, because it's on Slide 44, it's your session.

A - Thierry Leger {BIO 16674977 <GO>}

I will take it. So, I think that anecdotal evidence is for clients to retain more, but the vast majority of what we're seeing is demand for more protection across the board, across the lines of business. So demand is up very clearly. And as I said, the offer is not yet at least catching up with that one. Again, add to that the uncertainty of COVID and the environment it creates, I do not expect that to return too quickly.

A - Thomas Bohun

Thank you very much Thierry, Moses and Andreas. Thank you for the questions. We will now end the Q&A. And to close the day, we hand back to Christian Mumenthaler.

A - Christian Mumenthaler {BIO 6479864 <GO>}

So thank you, Thomas. Thanks everyone. I have the honor to close this Investor Day, just repeating some of the key messages which hopefully came through relatively clearly through the day. So it's about the strong balance sheet, we feel extremely comfortable with where we are with the balance sheet. It definitely also helps us to position us for growth. As you have heard, I think we're all positive on the growth opportunities next year, but I also said that margin is more important than growth. So we think it's going to be possible that both, but the priority will be on the margin.

Consequently, I think both P&C business, we've given some targets or some slight updates today. So P&C Re, we believe can be 96% combined ratio or lower, CorSo 98% or lower, hoping we're going be able to beat that but only there's some factors that might make it more difficult, which is why we remain cautious and we stick with these two figures here.

Life & Health is going to be about growing on one hand, continue the trajectory we have, but also manage the in-force, which is super important in Life & Health. On iptiQ, we intend to continue the strong growth trajectory, hopefully add further value to this particular business. The investment portfolio, we think is extremely well positioned. Hopefully, you got the sense from Guido earlier today of how we're positioned and also the flexibility and possibilities and options we have going forward since we have de-risked quite substantially due to the sale of ReAssure to Phoenix.

In terms of capital management priorities, it remains -- they remain always the same, the first two are having a strong balance sheet, which clearly is the case, but also to make sure we have a stable or increasing dividends, that remains the same. And then hopefully, at least you got a little glimpse around the long-term investments we're doing. As I said this morning, I think it's important to repeat it in times like that, there's always a risk of focusing just on the short-term and yet we think there's also some significant long-term changes and long-term opportunities and so be assured that we'll continue to invest also in the long-term.

So with that, I thank you very much for your patience for staying so long. I hope this format works for you. Please stay healthy and safe, and I hope that next time for the Investor Day, we will be able to all have you here physically with us. Thank you very much.