S&P Capital IQ

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Swiss Re Ltd SWX:SREN

FY 2015 Earnings Call Transcripts

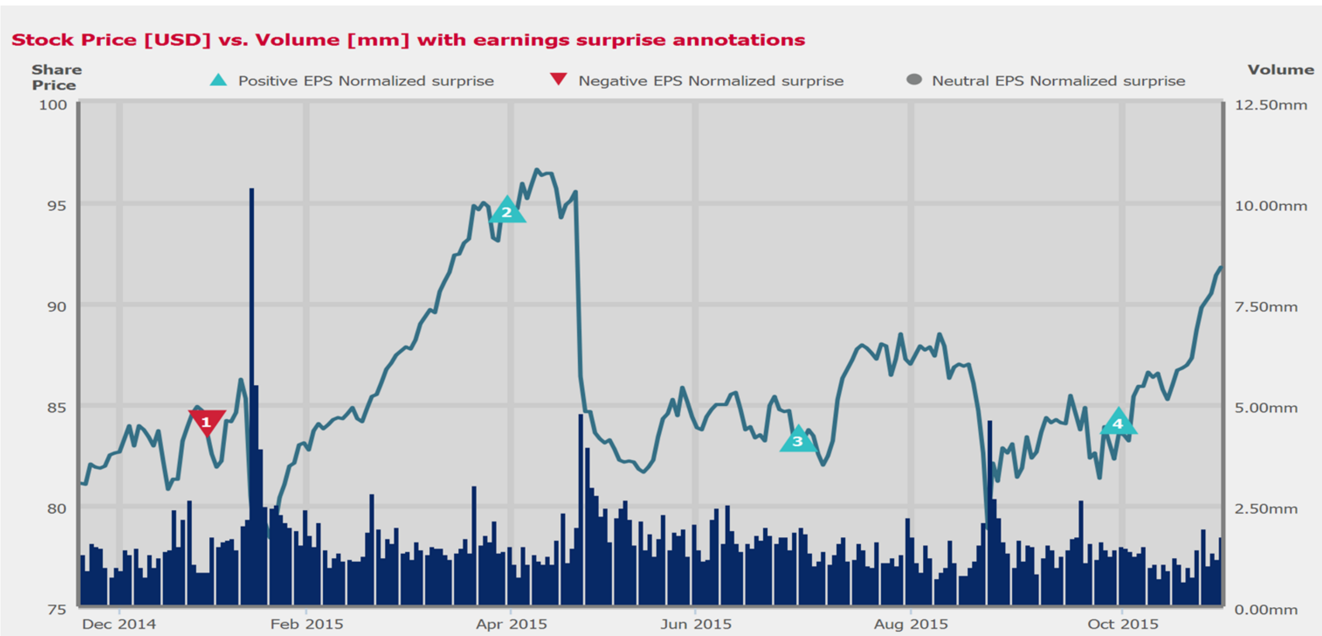
Tuesday, February 23, 2016 1:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2015-			-FY 2015-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	ACTUAL	SURPRISE
EPS Normalized	2.43	2.52	▲3.70	12.81	11.91	▼(7.03 %)
Revenue (mm)	7499.29	7522.00	▲0.30	30287.01	29751.00	▼(1.77 %)

Currency: USD

Consensus as of Feb-23-2016 9:23 AM GMT



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Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's Full Year 2015 Results Conference Call. Please note that today's conference call is being recorded. At this time, I would like to turn the conference over to Michel Liès, Group CEO of Swiss Re. Please go ahead.

Michel M. Liès
Former Group Chief Executive Officer

Thank you very much. Good morning or good afternoon, everybody, and welcome to our 2015 annual results conference call. I'm here with David Cole, our Group Chief Financial Officer; Matt Weber, our Group Chief Underwriting Officer; Guido Fürer, our Group Chief Investment Officer; and Philippe Brahin, our, I should say, Group Head of Investor Relations.

As you have heard this morning, I will retire from my position as Group CEO after more than 35 years at Swiss Re. And at the end of, I would say, a successful 5-year target period, I'm delighted that Christian Mumenthaler will become new Group CEO as from July 1. Christian has been a great contributor to the success of our group. He has a deep understanding of our business and a rich experience to implement the group strategic framework we introduced last December.

To recap on 2015, let me give you an overview of the results we published this morning. As you have seen, 2015 was another successful year for Swiss Re. We reported a remarkable net income of $4.6 billion. All business units contributed positively to these results. It was also a strong contribution for investment with a return on investment of 3.5%. Our group capitalization remains very strong with an estimated group SST solvency ratio around 205%.

Property & Casualty arrangements maintained its underwriting discipline and delivered a very strong return on equity of 22.2%. Life & Health Reinsurance met its 2015 target and delivered a return on equity of 15.7%. Corporate Solutions focused on delivering on profitability with a return on equity of 14.8%, at the upper end of its target range. Admin Re reported strong gross cash generation and a return on equity of 7.5%, also at the upper end of its midterm target.

On the basis of our performances and strong capital position, the board will propose a regular dividend of CHF 4.60, which represents an increase of 8.2%. The board will also seek authorization for a new share buyback program of up to CHF 1 billion, conditional upon available 2016 excess capital. These capital actions will enable our shareholders to continue to participate in our success.

Today, we also reported on our January renewals, which represent more than half of our Property & Casualty treaty book but less than 1/3 of our diversified revenue streams.

The market conditions remain challenging, and we will continue to differentiate our offering through our financial strength, our expertise and interactive client relationship model. We remain confident about the underlying quality and long-term performance of our books and confirm our group and business units' targets over the cycle.

With that, I'll hand over to Philippe Brahin, Head of Investor Relations, who will introduce the Q&A session.

Philippe Brahin
Many thanks, Michel. Good day also to all of you from my side. [Operator Instructions] I will also invite David Cole, our Group CFO, to guide us in conducting this Q&A.

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Question and Answer

Operator

The first questions come from Xinmei Wang from Morgan Stanley.

Xinmei Wang
Morgan Stanley, Research Division

My first question is on the buyback. As of last year, it's dependent on the availability of excess capital in 2016. I'm wondering how you look at that excess capital because I suppose if I look at it, the 205% SST, that's comfortably above the 185% risk tolerance level, is the difference the deployable excess capital, or should we think about it in relation to the previous message that a 200% ratio is equivalent to $3 billion to $5 billion above S&P AA? And just to tag on to the end of that, you mentioned that the buyback will be launched if no major loss event has occurred. What do you consider a major loss event? And wouldn't it be something over and above the $1.5 billion nat cat budget? My second question is on the growth in U.S. casualty. Given the interest rate outlook, I'm interested in how you see the return on capital employed today compared to, say, 1 year ago or even compared to your pre-2007 levels?

David A. Cole
Group Chief Financial Officer

Okay thank you very much. Perhaps I'll take a stab at the first question and then ask Matt to come back to the second question. So let me just first speak very generically. So indeed, you see that our board will propose to the shareholders' meeting in April this year the authorization of a new share buyback program similar to last year's request also for 1-year period up to a maximum of CHF 1 billion. Now I think we all have seen now during the course of 2015, and I think leading up to when we actually launched our current share buyback program, it's important how we communicate this to all of our stakeholders and investors. So a key message that I'd like to leave with you is our intent in regards to the newly to-be-authorized share buyback program, well, they will operate very much in line with the program that was authorized last year by the shareholders. In terms of exactly what constitutes a large loss, I think we have to wait to see exactly what losses occur and in which context they occur. I think it would be fair to say that if we had another year, a remarkable year in 2016 similar to what we've experienced both in '15 as well as '14 with a very low level of actual nat cat losses, that would be most likely the type of situation that could contribute to us coming to the conclusion that once again, we find ourselves in an excess capital situation. In terms of your questions around SST and S&P and excess capital levels, I'll just reiterate the communication we've done earlier that indeed, an S&P AA+ $3 billion to $5 billion is roughly in the order of magnitude SST of 200%. These are 2 different systems and they don't necessarily always operate in lockstep. But I think it would be fair to say, in conjunction with a SST around 205%, that we also, again, remain comfortably in excess of the S&P AA+ plus $3 billion to $5 billion. So with that, let me turn over to Matt for the second question.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. Good morning and good afternoon also from my side. First, if you think my voice sounds a little bit deeper than it usually does, I'm not trying to impersonate Barry White. I am suffering from a cough and I hope that nevertheless, you can understand me quite well.

With respect to your question related to U.S. casualty business, we do not disclose return on equity numbers by line of business. However, comparing this year's renewal with what we have seen 1 year ago, I would like to note that in U.S. casualty we have seen, related to General Liability and umbrella, a flat pricing environment. And related to motor liability, we have seen increases between 5% and 10%, this in reaction to the reserve strengthening that some players in the industry, including also Swiss Re, have been taking.

Operator

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Next question comes from Daniel Bischof, Baader-Helvea.

Daniel Bischof
Baader-Helvea Equity Research

I had 2 questions, please. The first one is on the renewals. So you reported 16% growth in tailored transactions. Can you provide a bit more details, I mean, what the drivers were behind the growth there? I'd be interested to know what the client's motivation was. Was it solvency rated? Were there other reasons? And then secondly, on Corporate Solutions, my understanding is that the 101% combined ratio forecast is also at a high level given the buildup of the own network. However, even, let's say, at the lower level or excluding this, the ROE target of 10% to 15% looks quite ambitious. So could you talk about how you see the 2 targets and why they are consistent?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So with respect to the renewal, the tailored, the motivation for the tailored solutions and the large transactions we have been selling, the main motivations were capital driven and volatility concerns that our clients needed to address. The 101% estimated combined ratio for 2016 is still in line with the return on equity target range of 10% to 15% overall. Please remember the 10% to 15%, that's a long-term average. We are now more in the softer piece of the market cycle, which means with a 101% combined ratio, I would expect Corporate Solutions to end up more towards the lower end of this range, but still in the range.

Operator

Next question come from Kamran Hossain, RBC.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

I've got 2 questions. First, just on Admin Re. I know you've commented earlier that you were suggesting that there might be more transactions to come for Admin Re in the U.K. Let me just ask, following the acquisition of Guardian, how much more headroom do you have to take on credit risk? Because it would seem, for kind of that type of transaction, you'd need to take on more credit risk. And the second question, a question for Matt, or Barry, how do you -- can you just talk us through how you get from the 97% underlying combined ratio that you set out at the beginning of 2015 to where it ended up at the end of this year and kind of what the differences were? And then how we should we think about adjusting that for 2016 so we get back to the 97% plus the change?

Michel M. Liès
Former Group Chief Executive Officer

Okay, Michel here. I'll start with the Admin Re question, which is a question to the point, it's absolutely fair that the proportion of annuities within the Guardian deal did not bring over the limits, but it's definitively bringing us a marriage [ph] of capacity to a certain amount of credit risk. And among the opportunities that we do see in the U.K. market, it's probably fair to summarize that if we could be effective on the unit-linked opportunity more than annuity one, and they are unit-linked opportunities, it would definitively please us quite a lot. We are not full [ph] for the annuity, but we would like probably to balance a little bit with unit linked at this stage.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. The first comment, being invited to explain the difference between 99.8% and 97% of course feels like a negative thing to do because at the end, we ended up a little bit higher on an adjusted basis compared to what we expected at the beginning of the year. However, therefore, please let me start with the following statement. The 86% combined ratio is still a fundamentally very good combined ratio. This is true in the context with others [ph], but it's also true in the context of the market and what was possible by the market. And of course, if you adjust for prior year development, and good luck on the nat cat side,

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we end up at 99.8%. However, please keep in mind that prior year development is not just a one-off to put aside, it's still underwriting profit. It's just underwriting profit from a different underwriting year but still extremely valuable. So how to get from the 99.8% to the 97%, which was the expectations we formulated 1 year ago approximately? We have 3 main reasons that explain the majority of this difference. All are about equal in size. The first is during the year, on the Reinsurance side, we experienced an above-average amount of man-made large losses in the current accident year. This amounts to approximately 0.8% points. Secondly, as a result of the extremely high degree of good luck on the nat cat side, we are missing quite a good amount of reinstatement premium. And in addition to that, especially in Q4, we had to pay higher profit commissions as a result of this low nat cat activity. This is a second order impact which applied to us already in the past, but this year is the first year where we experienced such a big discrepancy between our actual nat cat loss burden of below USD 200 million and what we expected, which is equal to USD 1.5 billion. So as a result of this cat which is bigger than $1.3 billion, something like 0.7% combined ratio points in reinstatement premiums are missing. And thirdly, I hinted already this year we made some adjustments to our reserves for U.S. motor from prior accident years. And these adjustments were more than offset by favorable development from other lines of business. However, when we made this adjustment, we also looked at the current accident year loss ratio and decided to increase the current accident year loss ratio in Q3 and in Q4. This is not prior year development, but you could describe it as current year adverse development in response to what we have seen in the market. And this impacts the current accident year loss ratio and with this also the combined ratio by 0.6%. So it's current accident year development. Most of it is driven by business that was written in underwriting year 2014.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

That clears that up. Can I just follow-up, Matt? You're not -- if you're backing out your reserve releases on one side, is it -- do you think it's fair to, I guess, take the hit on the current year adverse developments as well? Or are you kind of being overly harsh on yourselves?

Matthias Weber
Former Group Chief Underwriting Officer

Yes, because prior year reserve development complements current year reserve development. That's the reason why I tried a little bit carefully to explain this difference. So typically, when we speak of reserve development or prior year development, what we mean is prior accident year development. And here we are dealing with current accident year development that does not overlap with prior accident year development. It adds up. Normally, it does not happen because when we do the pricing analysis, when we do the costing analysis, we feel good about it for at least a year, especially on the casualty side. However, given the recent development, given the recent loss ratio deterioration, we decided to increase our cost and our price loss ratios as quickly as in the current accident year.

Operator

Next question comes from Olivia Brindle, Bank of America.

Olivia Sylvia Brindle
BofA Merrill Lynch, Research Division

So my first question, I guess, is picking up where you left off now on the combined ratio guidance. How do we get to the 99% for P&C Re from where you are now, which, based on Matt, what you just said, I guess underlying is really more like 98.3% if we back out what you might call one-off in the year. So you're not really pricing in much of a deterioration on P&C Re. And then similarly on CorSo, if we take 103.6%, some of that was higher man-made claims. So you're probably already at about 101% or even slightly higher. So again, how do we reconcile that 2016 guidance with where you are already, sort of an adjusted, adjusted basis for 2015? And then the second question, just around the capital, you disclosed some useful detail on the sensitivities and how that's affected by Guardian, in particular on the credit risk side. Just wondering if that has any effect at all on how much capital you think you need in terms of a buffer or anything like that. Obviously, your volatility should be slightly high now. So wondering if that affects your thinking here at all?

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David A. Cole
Group Chief Financial Officer

Thanks, Olivia. So why don't you let me take the second question first and give Matt a chance to catch his breath a little bit and then we'll wrap back around on the combined ratio guidance 2016? So in short, and this is going to be too short of an answer and I'll expand upon it a little bit. We've maintained a very strong capital position. We say, as a target across the group, 185, exactly for the purpose of being able to absorb the hits to our capital that may come from a number of different sources, including but certainly not limited to volatility on the financial markets. Now you know we're all operating under a -- under the Swiss Solvency, I guess, regime, under a system that actually is economic on both sides of our balance sheet. Now when we acquired Guardian of course we were quite cognizant of the fact that we'd be bringing on additional assets and certainly also additional credit risk. Now what we have now, let’s say, seen, having concluded the transaction, is fully in line with our expectations, in fact, if anything, perhaps slightly better than our expectations in 1 or 2 specific areas. I'll come back to that, to be frank, at the time of our Q1 announcements because it's a 2016 event. The figures that we've indicated in the presentation, we thought it was fair to go ahead and show the incremental impact, particularly on the credit side, coming from the acquisition of Guardian. Based on the volatility that we've all seen over the course of the last 7 or 8 weeks since the year began, I think what I would like to say is that the type of impacts that we're seeing are right in line with the sensitivities that we've indicated to you, also, I think, so far still very much within a 1 standard deviation-type of move, which in the portfolio of our nature or the portfolio that we hold, I think, is not surprising. Perhaps the speed with which some of the market movements have come through over the course of the last several weeks has been a little bit surprising, but the absolute magnitude has not been. We continue to be well capitalized. I think that also is reflected in the board's upcoming proposal for both a regular dividend as well as a continuation, if you will, of the possibility, should capital developments warrant during the course of 2016, the possibility to once again initiate a share buyback program. So in summary, let me just say that you're absolutely right, the additional credit coming from the Guardian acquisition does increase our economic exposure to credit spreads widening. But the magnitude is absolutely within the ranges that we anticipated at the time that we announced the acquisition, and we remain comfortably capitalized. Let me turn over to Matt.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So thanks for your question, Olivia. The first comment I would like to make, we do not call it guidance, we call it -- it's an -- it's our own estimate of what our combined ratio could be. And we are actually choosing the word estimate also in order to reflect the fact that there is some degree of uncertainty associated with it. If you look back, there have been years where we came in lower and there have been years where we came in a little bit higher. In the long term, this averages itself out, but it's definitely not a precise forecast. And therefore, we prefer the term estimate over guidance. How do we get from the 97% to the 99%? 97% was the estimate we issued last year. Please remember the 3 reasons which I used to explain how we got from the 99.8% to the 97%. The first is an above-average amount of large losses. We believe that's a one-off. In some years, you're above average. In other years, you're below average. So we take -- we correct towards that and take that out. Secondly, the missing reinstatement premium as a result of an extremely low amount of nat cat loss activity, we take that out as well because our estimate is based on an assumed mean nat cat loss burden. And in a year with a mean nat cat loss burden, there are no reinstatement premium missing. The third impact, the U.S. motor accident year addition to the reserve, that we take into account. So let me explain how we make the walk from the 97% to the 99%. We start at the 97%. First, we add 0.6% for the U.S. reserve. Secondly, we add another point for a change in business mix. If you look at the last -- at this past renewal, you might observe that we shifted a little bit away from property to casualty, and casualty typically comes with higher combined ratio. So in total, that shift alone adds another 1% point to the estimated combined ratio. Then pricing, continued pricing deterioration and higher interest rates, if it happens, we assume on a combined basis this adds another 1.5 points. And then the fourth correction we made is with respect to expenses, we reduced our estimated expense ratio by 1.1% in order to reflect the fact that we expect our volume to slightly increase as a result of increased activity on the large transaction side and on the tailored solution side. And in addition to that, as a result of the strengthening U.S. dollar, the ratio

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between costs which incur mostly in Europe, including Switzerland, and business which incurs more in the U.S. actually is expected to decrease. And putting these 4 elements together explains the walk between the 97%, which was last year's estimate, and the 99%, which is the combined ratio estimate for 2016.

David A. Cole
Group Chief Financial Officer

Thank you very much, Matt.

Operator

Next question comes from Thomas Seidl, Bernstein.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

Two questions. First is on the investment income side. After 3 relative stable years, we noted a price shock -- a slow -- a sharp drop in regular investment income, partially offset by relatively higher level of U.S. gains and markets. So my first question is, what is your outlook for '16, '17? Is it fair to assume 20 bps to 30 bps drop year-on-year? And what is your outlook on realized gains for those next 2 years? My question number two is, again, on the life run-off business. I think I remember you had appetite for at least one more large transaction, so I wonder if you can give us an update on the current market, the run-off market maybe not only in the U.K. but also in the rest of Europe, and whether you would see an increased likelihood of you doing a transaction versus when we spoke last time.

David A. Cole
Group Chief Financial Officer

Okay, Thomas, thanks. Let's turn to Guido for the first question and then perhaps Michel will take the second.

Guido Fürer
Group Chief Investment Officer

Okay. Thank you much. Now coming back to your first question, if you look at the investment result, 2015, I think it's [indiscernible] investment, it's a change of 0.2 compared to 2014. Again, most of that is related -- you have a different net investment income contribution from, let's say, equity accounted holdings which we have. And in relation, and probably you have seen that it's exactly the same amount in 2014 compared to 2015, that means the change is coming from the -- really from the net investment income. And again, if you look at the various contribution, I think that the drop that you see is on the equity accounted side. Again, that shows equity is a volatile asset class. Swiss Re has, I think, a relatively modest exposure to the equity market. Of course, you cannot expect that each color [ph] looks the same as the prior one. Now we look to have a long-term asset allocation, and that's why we try to smooth the results towards the underlying portfolio composition. I think the biggest change, as you already commented before, was that we added more credit. But overall, the asset exposure is pretty much the same. That's why to give guidance is a challenge. Particular with the current financial market you have seen and also David commented before, we had a very volatile start of the year. I do not expect that volatility will disappear based on the underlying factor. Now important is that you see the main driver of investment contribution is net investment income. Again there, we should mainly look at the running yield, which is a good indicator. The -- but the gain realization is subject to I think what the market offers. Overall, we try to position the portfolio for a volatile environment, and that's why also you'll see an asset allocation which is basically in line with our outlook.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

But maybe I wasn't clear. So I was expecting you -- actually, talking about the running yields which dropped -- it was stable in the past 3 years and now it dropped 30 bps year-on-year. So my question is, given current reinvestment rates, is this now continuing at this speed?

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Guido Fürer
Group Chief Investment Officer

I think the drop in running yields, to a certain extent, yes, it's related to that we see still very low rates. And the actual year-to-date, they are lower than the beginning of the year. We -- you know all the reasons, I think I don't need to comment on. But the major driver of the drop of 0.3 last year actually was that we took some of the cash and put it into the short-term part of the government bond. And in the running yields, we exclude cash. That means we mainly looked at the fixed income beyond the year, which is the best guidance, in my view. And of course, if you take -- you see it was $6.2 billion of cash we put into the investment portfolio, probably $1.5 billion additional credit. And then also we had a real estate investment of 0.7, which will contribute to future net investment income. And the rest was basically just a shift from cash into the short-term government. And again, if you invest into short government, just take 1.5 year Treasury bill, you're in the area of 0.6%. Of course this reduces the respective running yields for the year, particularly if you compare to the former year. But again, probably more than half of that drop of 0.3 was related to the reallocation of cash into the short-term bucket of government bond.

Michel M. Liès
Former Group Chief Executive Officer

Okay, on the life run-off market, I think that the work which has been done by Admin Re in the U.K. to be seen as one of the main consolidator is bringing it is bringing its fruit in matters of pipeline. I won't go into the details of the pipeline, but they are definitively in the U.K., several opportunities, among which some of them are not exposing us to annuities, as I said it before. I also did mention that we may see and start to consider opportunities outside of the U.K., but there we need to be very prudent. First, the fact that the company wants to sell a life run-off doesn't mean systematically that this life run-off is corresponding to our appetite. We don't have solution to problems which do not have solution, I'm not saying that all the life run-off deals in Continental Europe are that complicated but there are definitively sometimes mismatched between the liability which are engaged and the asset portfolio on which we don't have too much solutions. There is also -- if you speak about the extension outside of the U.K., the fact that it won't be normally done on a U.K. platform, meaning that the quality of the platform in any kind of first deal in Continental Europe, will be also a very important element to judge for the conclusion of the deal. But again, top, I think, in the U.K. because of the deals which have been achieved in the last 1 or 2 years to really attract the majority of the pipeline. It's very prudent on the continent about the opportunities, taking especially into account that we need also a platform and not only a portfolio.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

Yes, but are you more confident now that we will see a transaction in '16?

Michel M. Liès
Former Group Chief Executive Officer

Sorry, I didn't get that one.

Thomas Seidl
Sanford C. Bernstein & Co., LLC., Research Division

In light of these considerations, are you more confident of seeing another Admin Re transaction in '16?

Michel M. Liès
Former Group Chief Executive Officer

Well I cannot commit totally to that, but there is definitively really a certain chance of seeing that happening. Definitively. Knowing, nevertheless, also that some of the activities of our Admin Re team is in the integration of Guardian, they've concluded the HSBC integration successfully, but there is a lot of work to do in the integration of Guardian. It's going - it's not an easy task. It's going according to plan. But nothing prevent us because of this integration of addressing 1 or 2 of the pipelines that -- of the deals that we have in the pipeline. But no commitments, of course.

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Philippe Brahin

Thank you, Michel.

Operator

Next question comes from In-Yong Hwang, Goldman Sachs.

In-Yong Hwang
Goldman Sachs Group Inc., Research Division

Two questions for me. Firstly, on the tax gain that you had this quarter, understand it is to do with restructuring of some of your subsidiaries. But when I look back at the last 3 years, there seems to be, I think, only 3 quarters where the tax rate is around the 23% to 25% that you normally guide to. So I was wondering if there's anything that you can see in 2016 and 2017 that might cause you to have further tax benefits. And the second question is around the Corporate Solutions, I think there was a question earlier about it, but I'm not sure if you got around to answering it. But when you look -- when I look at the 2015 adjusted combined ratio, even if you factor in the higher man-made losses, I think, like, it's 102% for 2015. So how are you so confident of kind of improving that to 101%, i.e., is that not some growth that you're still factoring in the business? Or is that some expense -- is there something you can do on expenses, for example?

David A. Cole
Group Chief Financial Officer

So let me pick up the first question and then we'll turn over to Matt for the second. So on the tax side, indeed did you saw in Q4 that we had a number of tax benefits that come through, some of which were made through restructuring of various legal entities. But I'd also like to just point out that we had audits that successfully were finalized in a number of different countries. And collectively, that contributed, of course, to the tax benefit that came through in Q4. You're right, over the last couple of years, if you look at our effective tax rate, it's been below the statutory rate. There are a number of different factors that contribute to that. Of course, part of it is just the timing difference. If you look at our balance sheet, you'll also see fairly significant DTA sitting on the balance sheet. We continue to progress various discussions with tax authorities around the globe. We continue to be a very healthy taxpayer. Actually, our cash taxes paid in 2015 were up quite a bit from the -- double in -- the previous years. In terms of forward-looking comments, I think the most appropriate thing to do and it is what we also do internally, is we use the effective tax rate, which, in our case, is actually now just a little bit higher than the Swiss rates. So something in the range of 23%, 24% is probably not a bad starting point. Let me turn over to Matt.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. Corporate Solution, the walk between the normalized combined ratio 2015 and the estimate for 2016. Starting point is 103.6%. This starting point includes an above-average amount of large and medium-sized losses, amounting to 2.7% points. If you take that out and add another 1% point for price softening and subtract a little bit for portfolio composition shifts, we expect to shift a little bit more away from long-tail business towards short-tail business, we end up at 101%.

Operator

Next question comes from Vinit Malhotra, Mediobanca.

Vinit Malhotra

So I'll not ask about the underlying for now, but I do want to understand this portfolio shift that we talk about. For example, Slide 37 today, of the renewals, obviously shows a mix towards casualty. But then this same slide last year, the numbers are not that different. In fact, on casualty, in fact, if anything, the difference is more in the shorter-tail specialty lines probably. So I'm just trying to compare or just understand this business mix shift from a combined ratio perspective. And that's -- one more question, if I can put in, please. The -- on the nat cat side in the P&C Re, the ratio of the nat cat expected loss in

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a given year versus the nat cat premiums seems to be going up in 2016. I can understand why nat cat premiums are going down, but shouldn't one have expected lower nat cat losses as well in the budget for '16? So that's the 2 questions, please, business mix and nat cat loading.

Matthias Weber
Former Group Chief Underwriting Officer

So with respect to the portfolio shift, what you see on Page 37 is to a large degree influenced by large transactions. Sometimes, these large transactions include more casualty, and then that shifts portfolio weight away from property and specialty more towards casualty, and sometimes, the opposite is happening. What we experienced at the past, renewal was exactly this, we wrote a few but large transactions, including a big amount of casualty business, and that's the reason why we are seeing an increase of the casualty proportion from 43% to 46%. We did the math and tried to calculate what is the impact on our normalized combined ratio for the purpose of coming up with our estimate and concluded that the impact is of the order of 1%. With respect to your second question, could you please point me to the page you were referring to?

Vinit Malhotra

Well, these numbers I got more when I ask the Investor Relations teams. The nat cat expected loss is 1.5 billion, both years '15 and '16, and the nat cat premiums are going down 2.6 to 2.2350. So I can understand the second trend, but then I could have expected that if you're reducing your risk in nat cat, you probably would expect to lower nat cat budget as well, and that obviously is important also from this whole underlying debate, but this is just one angle I wanted to check before we move on.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So the reason why the premium is lower is pretty obvious. That's the price softening we have been seeing already, which will impact also the accident year 2016. Why is the nat cat loss the same? The reason is the following. What you see here is the net after Reinsurance and retro-zation [ph], so it's the net after hedging. And when we determine how much of the gross business we write, we want to keep net on our book. We take into account the capitalization we have in our group in order to determine what our appetite is to keep exposure. We decided in 2016 given that we are still above all our technical thresholds from a capital perspective that we would like to write against our full risk appetite, and this means we decided to retain the same amount of nat cat exposure on our book net after retro-zation as we did in 2015. That's the reason for this underlying stability of the 1.5 billion expected nat cat loss.

Operator

Next question comes from Andrew Ritchie, Autonomous.

Andrew James Ritchie
Autonomous Research LLP

First question, just back to the issue of credit risk or asset risk. I thought I understood at the time of the Guardian deal that you anticipated probably taking down a bit of the pro forma credit risk exposure of the combined group. I guess I think from what you're saying, that's not the plan now. You're very happy with the pro forma credit exposure even in light of slightly more volatile markets. Can you just confirm that? And is there any situation where because this is at a prolonged integration phase, I mean, you don't do the Part VII transfer, I think, until 2017. Does that restrict your ability to do things you want to do with the Guardian asset? Second question, a simple one really. Your grew the dividend, 8% or 8.2%, I guess I'm just trying to understand why 8.2%? I mean, in simple terms, you've talked about a dividend policy where I think you said you want to grow it in line with your long-term earnings growth, and at the minimum, keep it flat. So is 8.2% what you feel the underlying earnings growth is? Should I adjust it for the lower share count, so it's actually really 11 or 12 or something? What is the philosophy behind the 8%?.

David A. Cole
Group Chief Financial Officer

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Let's have Guido first, and I'll come back to the dividend.

Guido Fürer
Group Chief Investment Officer

Thanks for your question, Andrew. I think on the credit side, you're absolutely right, it was -- so Guardian, we added about 6% and it's is backed off our asset allocation with regard to credit risk. Now, again, this is credit risk which we like. Of course, this was part of the costing and pricing of the transaction. Again, as you can see in the slide, so I think the credit quality is still very high, and there's no compromising -- has occurred nor will occur over the next few times. Overall, we have 44% in credit, which I believe is a reasonable allocation. But if you look now at credit, again, U.S. investment-grade trading, above 200 basis point, above government bond. That means there's a lot of bad news priced in. Again, we have the capital to ride through some of the volatility. We're a long-term investor. Our main, of course, focus is on any credit migration or default and in that context, we are very comfortable with what we currently have on our book. Although it's a high allocation, but again, if you look at such type of transaction as Guardian, it's pretty much you acquire a closed book of business. You basically look which assets are the best fit for that type of business. It's not a total return view. It's the opposite. It's basically supporting a long-term positioning both on the liability side and well as on the asset side. That's why we are very comfortable with what we acquired. 44% seems a reasonable allocation compared to, I guess, the outlook, which we have. Now can we move the asset risk before Part VII? Yes, Swiss Re is at risk in this portfolio since 6th of January, since closing and of course, we look at each and every part of the portfolio. If we don't feel comfortable with any part, any specific thing, of course we will move. That means we have the full flexibility which you would expect as an owner of such a portfolio.

Andrew James Ritchie
Autonomous Research LLP

And sorry, is 44% the limit you'd want to go to, or I mean, can you -- is there room to go higher or are you kind of at limit? I'm not sure what you mean by, when you reasonable allocation, because, obviously, it's higher than the last 5 years, where you've been in the last 5 years.

Guido Fürer
Group Chief Investment Officer

Absolutely. In the meantime, I'd ask also that the risk of certain government bond has shifted over the last few years. At the end, you are a big fixed income investor as an insurance company, particularly, if you're active in life books or the closed book that means you need to think which are the most attractive part within fixed income, and I think the government bond probably need to be assessed nowadays differently than, I guess, 5 years ago. I consider a high quality credit portfolio absolutely fit for purpose. Now 44% is the current snapshot. Some of the percentage is driven by market. Of course, if equity is going up and credit stays, you see different allocation. We work with ranges. But I believe the current allocation is again reasonable in the context of being a long-term investor, having an ALM principal at the outset, and in all respect of the investment outlook which we have.

David A. Cole
Group Chief Financial Officer

Thanks, Guido. Let me come back, Andrew, to your question regarding dividend. So first, let me just reiterate indeed what you said regarding our capital management philosophies, at the risk of repetition, it really is about maintaining as the first priority a very strong capital position, which I think we, again, confirmed today at estimated SST of around 205%. We continue to maintain a very strong capital position. The actual hierarchy is maintain the regular dividend. Where we can invest and invest wisely, of course, to grow profits in the future, that allows us to increase the regular dividend. These things are obviously quite closely together, and then of course, when we come to the conclusion for various reasons, we may be seeing excess capital, capital we don't reasonably expect to be able to deploy within our businesses. According to the strategy we've articulated and the financial hurdles we've indicated, then we look for ways to return. So that's just a generic restatement of our capital management philosophies and approach. And I hope you've seen us actually operate on that basis over the course of the last

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several years. As far as the dividend now and the board will propose to the shareholders in April an 8.2% increase to the CHF 4.6 that Michel referred to. Now there are number of different factors that we look at with coming to this recommendation that the management made to the board. We look at the sustainability of the payouts, i.e., maintain the regular dividend where we can. We look at how successful we've been in actually investing in the business over the recent period of time, and just think about some of the activities that we've demonstrated to you on both sides of our balance sheet, where we've properly positioned our assets, and I think continue to invest and I would say wisely and attractively, in a number of different segments, Life & Health continues to show good progress; Admin Re, good progress; Corporate Solutions, good progress. That gives us the confidence to look at an increase in the dividend now. 8.2% you could say, couldn't you have made it 8% or 9%, a round number? We ultimately ended up at 4.6%. This is not an exact science, but I think is a good indication of the management as well as the board's confidence in not only the capital position of the firm but also continued earnings potential of the firm.

Andrew James Ritchie
Autonomous Research LLP

Do you -- when you think about a dividend, do you think about the dollar million amount or the per share amount in terms of when you talk about growth and or maintaining flat on the previous year?

David A. Cole
Group Chief Financial Officer

I don't know how we would separate the 2, so we look at a number of different perspectives simultaneously, I can't say that one is more relevant than the other. I don't know. I don't think we somehow carve one perception of reality out and forget about it for a while. So we look at a number of different perceptions. But most importantly, we look at the underlying earnings potential of the firm, the sustainability of the dividend, and we look also at what we see in terms of future capital generation, opportunities to invest, and we want to both continue to invest wisely in the business and continue to operate with good capital discipline.

Operator

Next question comes from Vikram Gandhi, Societe Generale.

Vikram Gandhi
Societe Generale Cross Asset Research

I've got 2 questions. First is can you give us some color on the potential impact that Brexit, if it happens, would have on the group? And secondly, how do you see the soft pricing in the U.S. commercial insurance impacting your portfolio in the course of the year?

David A. Cole
Group Chief Financial Officer

Matt, do you want to take the second while I get myself ready for the Brexit question?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So the softening pricing environment in U.S. commercial insurance, we, of course, are observing this directly with the Corporate Solution business. We are writing and we are indirectly also on the Reinsurance side. We are taking it into account in the assessment before we actually accept such a business. But you're right, it is softening in large part, and we are observing it and we are taking it into account.

David A. Cole
Group Chief Financial Officer

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Okay. Let me come back to Brexit and let me just preface my answer by saying, of course, Europe has been a very exciting place for financial markets, not only in the recent period with discussions around Brex, but going back now every several years, the discussions around the periphery, discussions around immigration and a number of items impacting the overall, I would say, cohesion and the confidence in various aspects of Europe. Let me come back to Brex, so it's obviously too early for us to make any sort of prediction or we in the prediction business about what the British voters may also may decide in their upcoming referendum in June and ultimately, of course, the impact and the materiality of the impact will depend a lot on developments between now and the ultimate decision in June. You can imagine, however, as a large long-term investor that, obviously, the potential impact in terms of increased volatility on financial markets, changes in FX rates, all will be quite important for us to follow. Obviously, we don't know exactly how a potential Brexit would be implemented and the basis upon which those discussion, the actual mechanics of an exit would take place, you can imagine different scenarios. If we look at a worse case type of scenario, you can imagine a breakdown in the ability to come to timely and appropriate agreements regarding matters like movement of capital or even movement of people and services, so we could have a very significant negative impact coming at us from a regulatory compliance point of view, but also just from an outright operations point of view. Now these, as I mentioned, I'm referring to a worst-case type of scenario. I don't think it would be appropriate for us to immediately assume that would be the case. Obviously, there's still quite a lot of debate to take place between now and June. I think I will summarize, however, in my answer by just letting you know that as with a number of potential risk, emerging risk themes, our responsibility is to make sure we watch them carefully, where appropriate take measures to position ourselves to be able to respond as needed and of course, remain very diligent to the ongoing developments.

Operator

Next question comes from William Hawkins, KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

I'm sorry to put Matt's voice under pressure. First of all, could you give us a bit more clarity on the U.S. motor charge you referred to? It seems to be buried within the 5.1 points of positive development, so could you maybe tell us the size of the charge you took in the U.S. and help us scale it in terms of what base reserves that was on? And then could you let us know how much you changed the initial loss ratio pick on this year, of origin? And then secondly, David, you seemed -- when talking about the caveats around the buyback for the rest of this year, you were -- I'm sorry, for the next buyback, you seemed a bit more cautious than I anticipated when you were talking about large losses. I thought the answer would simply be, so long as we're within our budget everything is fine, but you seem to be allowing for more spaces in that. You said only if it's a good year, like '14 or '15 was, is everything okay. So can you just clarify that? Should we be more cautious even if you're on that 1.5 billion budget? And then I'm sorry to stretch it to 3 questions. Just very briefly, Matt, when you were answering Vinit's question about the nat cat budget, if I paraphrase what you said, it sounded like you were saying, because we've got more capital we thought we could retain more risk for nat cat, which to me is not what I'd like to hear. I'd rather hear you say whether or not the business is incrementally more or less attractive drives that decision. So I might have missed understood, but could you just sort of repeat your logic for effectively on the net basis retaining more exposure to nat cat?

David A. Cole
Group Chief Financial Officer

Okay. Well, before I turn it over to Matt, welcome back to our Q&A session. So it's good to hear your voice, and I appreciate not only your questions, but also suggesting the answers to us, so we're going to do our best to meet your expectations in terms of appropriate answers. Let me turn it over to Matt first, and I'll come back on the question regarding the buyback.

Matthias Weber
Former Group Chief Underwriting Officer

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Okay. So with respect to your first question, I would like to repeat that the current accident year development is not part of the prior accident year development. The 2 things complement each other. The quantum with respect to prior accident year development on the U.S. motor side amounts to USD 90 million negative, so that was an adverse development, part of the much bigger overall favorable development. The quantum with respect to the accident year 2015, current year adverse development impacted the overall combined ratio and the overall loss ratio by 0.6% points.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

Let me just ask what was the base of reserves before the 90 million strengthening and what actually was the loss pick moved to, from U.S. motor?

Matthias Weber
Former Group Chief Underwriting Officer

Let me, in the meantime, respond to your third question, the USD 1.5 billion. On the nat cat side, this business, while it is not as attractive anymore as it used to be, this business still generates favorable margin for us and our shareholders. It's just this positive margin is not as big anymore as it used to be. And therefore, it does make sense from our perspective to deploy the capital which we have and which we decided to have on our balance sheet after paying for the dividend and after using capital for other opportunities, such as opportunities on the Admin Re side, than not writing this business and not incurring the positive margin at all.

Michel M. Liès
Former Group Chief Executive Officer

Regarding your question on the motor business reserves, let us come back to you separately, also look at some of our reserve development and come back to you, if you don't mind.

David A. Cole
Group Chief Financial Officer

Okay. Well, thanks a lot. I'll go into the buyback. Listen, we, of course, announced and received a shareholder approval in April 2015 for the current share buyback program, which is progressing well and we anticipate to successfully conclude it by the beginning of March. I think we learned a little bit from our communication around that, and what we want to do now is make sure that there's absolutely no misunderstanding. The proposal that the board will make regarding the dividend reflects our capital position as of the end of 2015. And also, I think, it's going back to my earlier response to Andrew, suggests a confidence in the ongoing earnings capacity of the firm, a sustainable payout level leading to an increase in the regular dividend of 8.2%. The share buyback is, under Swiss rules we need to get approval for it, authorization for it upfront. But the actual decision to launch that buyback is going to be depending on the way that the market and our results and our capital position develops during the course of 2016. There are a number of things that could influence that, one being losses, large or otherwise, another being opportunities that we see throughout the course of the year to actually deploy the capital that we have available to us. I think it's a little bit challenging to say under exactly what situation, exactly what timeframe, we may or may not launch the program. I think the key message is that it's a tool available to the company, subject to approval of the shareholders in April. Obviously, the decision to launch is subject to the same regulatory approvals that we had related to the current program, that allows us in the event that our capital situation develops, such that we do find ourselves with excess capital, that we can accelerate a return of some of that capital through the buyback. I don't think it's really appropriate now to start drawing out all sorts of scenarios under which situation we would or wouldn't. I do think it's appropriate to just remind everyone that similar to -- in 2015, it's likely that we'll want to see a good part of the year develop, see how the results are developed, not specifically tied to North American wind, but certainly, North American wind is an important risk event for us. So I think we'll just try to make sure that people understand that the buyback program is a tool available to us to allow us to accelerate return of capital as and when the capital developments during the course of the year would allow it to take place.

Operator

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Next question comes from James Shuck, UBS.

James Austin Shuck
UBS Investment Bank, Research Division

Two questions from my side, please. I'm trying to get an understanding of your kind of sustainable level of profitability. 2015 was obviously a very good year, 4.6 billion of net income, but there was a very low level of natural catastrophes. There was a high level of gains in the year and the tax level was also quite low. If I try and normalize that starting level, I would normalize the 86% combined ratio at about 99. I would think that the level of gains that you realized in 2015 looks high, so instead of 1.4, I might be thinking about 1 billion as a normal level. And then you've always said that the tax rate should be about 23, 24. That gives me about 2.2, or so, of net income as a kind of starting point. And when I look at the dividend on the ordinary dividend in relation to that, after you've increased it by 8% today, it's a 70% payout ratio. So I guess my question is, is there -- are there other things I should be normalizing for as a starting point or kind of how should I think about the sustainability of that dividend if that payout ratio does look quite high? That's my first question. Secondly, congratulations on the inching forward of disclosure in the Life & Health Re business which is welcomed at the back of the presentation. I suppose I'd like to kind of understand what you're direction is with this because, last year, we were led to believe that you would significantly improve the disclosure, and we didn't really get much at the -- well, nothing at all, really, at the Investor Day, and this is the first kind of step forward. It's now about 1/2 of your allocated capital in the business, and from an outsider's perspective very difficult to understand what the risks are. So I guess I'd like some kind of firm commitment and understanding about where you're going with that disclosure, please?

David A. Cole
Group Chief Financial Officer

Thanks, James. I'll take a stab at both and see whether or not anyone would like to join me. First on the sustainability, listen, I appreciate the work you go through in coming to what you think to be an appropriate normalization. I don't intend to respond to any of the individual figures that you've cited. Of course, everyone has their own way of going about it. We look at our underlying business, the diversity of our business, the sustainability of the profit flows that we see, the incremental profit that we think will emerge from some of the investments that we've made recently. We feel comfortable that the dividend, as increased to 4.6, is a level that's sustainable. Of course, any individual year can lead to higher or lower actual losses than what we would have estimated on an average basis. In fact, in most years, we'd probably have a little bit of a better performance than what the average would be, because we have some peak loss years vetted into that average as well. But I think the increase to CHF 4.6 is a reflection of the management's belief, in the strong and sustainable profit that will come from the various business segments that we have, and we also continue to see good opportunities to continue to invest in profitable growth. So we feel quite comfortable with that. As to your second, I appreciate you've noticed that we've included a little incremental. I appreciate there's a different anticipation or hope that you've expressed in the past. We will continue, I think, to reflect upon the disclosure that we give regarding each of the business activities, not just on the Life & Health side. We appreciate that it is an important component of our overall business mix and overall balance sheet, an important allocation of capital. We announced, of course, toward the end of 2015, around our Investor Day, the formation of this life capital business unit, which is clearly more than just Admin Re although Admin Re forms an important component. I think it would be fair to expect us during the course of 2016 to, over the course of the year, come back with more information about both the Life Capital business, its aspirations, if you will, our expectations for that business, as well as some incremental information regarding our expectation regarding the profit emergence, cash flow profiles of the Life & Health Re business. So we're thinking about it. We're looking at it, and we'll come back to you.

Operator

Next question comes from Franco Prager [ph], Deutsche Bank.

Unknown Analyst

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I have 2 questions. My first question is on the Corporate Solutions estimate for the combined ratio of 101%. Does this higher figure, the 101%, have any impact on your 2020 targets and the volume growth that you are targeting for? And the second question is again on the tax effect, I think part of the explanation was also a foreign currency translation effect. Can you shed there some sort of sensitivities for the stronger U.S. dollar as a positive impact on your tax effect overall, and how we should think about it going forward?

David A. Cole
Group Chief Financial Officer

Okay, I'll pick up the second question, and let Matt respond to the first.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So the 101% estimated combined ratio, which in the short term does not impact our mid- to long-term targets on the Corporate Solutions side.

David A. Cole
Group Chief Financial Officer

And short answer on the second is, yes, there has been a positive benefit from a rising dollar related to translation differences between our stat accounts and our GAAP accounts. We obviously -- we reflect that typically once a year in the fourth quarter. It's hard to predict, of course, what that will bring going forward, but it has been a factor in both 2014 as well as 2015.

Unknown Analyst

But can you break down this split on this effect on the U.S. dollar?

David A. Cole
Group Chief Financial Officer

No, I won't break it down.

Operator

Next question comes from Stefan Schürmann, Bank Vontobel.

Stefan Schürmann
Bank Vontobel AG, Research Division

Just 2 questions. The first one on the renewals again. Can you just update us on your share of nonproportional business now, and proportional, I think, was the proportional increase -- a proportional decrease. And second question, on SST, the decrease here, can you maybe give us some hint, how much the impact was from financial market and how much from regulatory adjustments?

David A. Cole
Group Chief Financial Officer

Matt, do you want to take the first?

Matthias Weber
Former Group Chief Underwriting Officer

No, hold on. I need to sort it out.

David A. Cole
Group Chief Financial Officer

Okay. So while Matt's preparing, let me come back to the question regarding SST. I'm not in a position to be able to give you as a complete an answer today as I will be able to on the 29th of April. As you know, every year, the beginning of April, we formally file, our SST with FINMA. Actually, what we will do this year

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is in addition to updating you regarding the actual SST position, as you know we estimate it currently to be around 205, is we're going to provide to the market a walk SST to Solvency II walk for the Swiss Re group as a whole. I'll come back with, I hope, satisfactory insights to you at the end of April.

Matthias Weber
Former Group Chief Underwriting Officer

With respect to your question related to the split between proportional and nonproportional, in 2014, we had 58% proportional, and the rest was nonproportional. And fact, in 2015, factual, we had 62% proportional and the rest nonproportional and fact and if we look at the January 1 renewals, which just it happened, we further increased the ratio between proportion and nonproportional, driven by a small number of large transactions which happened to be proportional ones.

Operator

Next question comes from Thomas Fossard, HSBC.

Thomas Fossard
HSBC, Research Division

I've got 2 questions directed to Matt. The first question would be on the large transaction. Obviously, a large number being on the proportional side. I think that, in the past, you indicated, especially with Chinese quarter share -- motor quarter share that the -- this was huge volumes, but low-margin, relatively low margin and predictable margins. Could you talk about the net share of the large transaction on the proportional side you've written so far this year? And the second question will be on your 1% or 2% risk adequacy index. How much -- what is the proportion of the book which is currently underwritten below 100% so below risk-adjusted? And how much of this part of your book may have increased compared to last year?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So large transactions, if they are proportional, they almost always are characterized by a lower ratio between margin and premium, but not necessarily a lower ratio between margin and the required capital. Usually, quite the opposite is the case there. And the reason is, as you indicated, is the case for Chinese motor business. In many cases, the predictability of the outcome on the proportional side is significantly higher than on the nonproportional side. With respect to your second question, I have to tell you, we do not have exact numbers here in front of us. If I could take a guess, I would assume clearly less than 50% of the business we have been writing has a rate adequacy below 100% right now. However, it is also clearly more than 0%. A rate adequacy below 100% does not mean it does not generate economic profit. It just means it generates less economic profit than what we want to achieve on average across the cycle. And with respect to your question 2b, given that the market has softened relative to last year or given that it has further softened relative to last year, the proportion of our book that is below 100% rate adequacy, but still generating a positive economic profit is accordingly higher than what was the case last year.

Operator

We have a follow-up question from Mr. Vinit Malhotra.

Vinit Malhotra

Just 2 things. On the whole man-made losses, we are seeing so many players in the industry, primary reinsurers, everybody talking about a certain trend which is not ebbing, every quarter we see this. And I just wanted a generic comment, if possible, from Matt, is there something that you think needs to be done here? Is there a pattern or not a pattern, purely random? Just a comment here would be really appreciated.

Matthias Weber
Former Group Chief Underwriting Officer

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Okay. So I'm not talking to demand and losses of other players in the market, I would like to just comment on the man-made losses. In our own book, on average, on the Reinsurance side, for instance, we are or we have been seeing during the last 5 years, as an example, a man-made large loss burden of USD 320 million in the respective current accident year. In 2015, we have an actual of 441. In the 2 years before, we actually ended up below average. So I do not see a trend here, and I am not worried about this. But with averages, you cannot always be below average, right, and average is not correct, sometimes, you are above average and that's the case this year.

Vinit Malhotra

But isn't there a demand in the market or there are so many primary players who talk about this as a problem as well? Is there something, thinking around from an industry perspective, not just Swiss Re or Reinsurance, but is there anything that you can add?

Matthias Weber
Former Group Chief Underwriting Officer

Again, on our own book, we are not concerned with respect to losses incurred by the others. May I suggest you speak to others about that.

Operator

[Operator Instructions] Next question is a follow-up question from Mr. Olivia Brindle.

Olivia Sylvia Brindle
BofA Merrill Lynch, Research Division

Just one thing that struck me in your renewal disclosure was the share of business in EMEA has gone up quite a lot, from 42% to 50%. I presume it's large transactions because that's what you talked quite a lot about. But we've heard how European business is probably one of the most difficult areas to be in at the moment, so just wondering if you could comment on why that pressure is so much better in big transactions that you've decided to do that much more in that space? That would be helpful.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So your comments are actually all correct. It is driven by large by one big transaction, a large transaction. It's a proportional one. Your observation with respect to European renewals have been incredibly tough, relates especially to European nat cat business and therefore has nothing to do with the large transaction here out [ph] EMEA.

Michel M. Liès
Former Group Chief Executive Officer

Okay. Thank you, Vienna. Thank you, Matt. Thank you, David. Thank you very much all of you for joining us. Before -- just before we close the Q&A, I wanted to come back to your question, William from KBW, on the 90 million reserve strengthening U.S. motor liabilities. It represents less than 7% of our total U.S. motor reserves, so just wanted to give you the figure before closing. On that, again, if you have any follow-up questions, you know where to find us, how to reach us, Investor Relations at Swiss Re. Thank you again very much all of you for participating today.

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

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