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Call Participants

EXECUTIVES

Christian Mumenthaler
Group Chief Executive Officer

John Robert Dacey
Group Chief Financial Officer

Thomas Bohun
Head of Investor Relations

ANALYSTS

Andrew James Ritchie
Bernstein Autonomous LLP

Ashik Musaddi
Morgan Stanley, Research Division

Derald Goh
RBC Capital Markets, Research Division

Freya Kong
BofA Securities, Research Division

Ivan Bokhmat
Barclays Bank PLC, Research Division

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

Sourabh Kulkarni
Societe Generale Cross Asset Research

Thomas Fossard
HSBC, Research Division

Tryfonas Spyrou
Joh. Berenberg, Gossler & Co. KG, Research Division

Unknown Analyst

Vinit Malhotra
Mediobanca - Banca di credito finanziario S.p.A., Research Division

William Fraser Hardcastle
UBS Investment Bank, Research Division

Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's Half Year 2023 Results Conference Call. Please note today's conference call is being recorded. At this time, it's my pleasure to hand over to Christian Mumenthaler, Group CEO. Please go ahead, sir.

Christian Mumenthaler
Group Chief Executive Officer

Good morning, good afternoon, and good evening to all of you. Thank you for joining our call. I'm here with John Dacey, our Group CFO; and Thomas Bohun, our Head of Investor Relations, to talk you through the Half Year results. As usual, I will make a few remarks at the beginning, which tried to summarize a little bit my view on the results before we open up for Q&A.

So we are reporting a solid H1 results today, which put us, let's say, in line to achieve our $3 billion net income target for 2023, which continues to be our top priority. There's 2 main structural factors helping us vis-a-vis the previous years, of course. The first one is interest rates. So the increase in interest rates is very, very significant. So the asset side is contributing much more than it was in the past. While at the same time, the negative effect of the sales, which was the inflation, which would put up a reserve of more of $1 billion last year is holding up well. And if anything, it looks like we have been a little bit conservative with that one. So negative effect of this phase has been absorbed last year, while the [publics] are coming are here and are upcoming in the future years.

Second structural benefit, of course, is renewals. So we have -- we're very satisfied or I'm very happy with the renewals and where we have come to -- you have seen in the slide that in [17], which is more focused on the U.S., we have continued to cut some of the alliance, some of the MGAs that were not performing, some of the liability covers that we're not happy with. We certainly encouraged the new leadership team in P&C Re to be very open and focused on shareholder return and cut if they think it needs to be cut. So overall, we're very pleased with the renewals and the results are better than what we've seen over the last few years cumulative. And overall, it creates a very positive environment for P&C Re, obviously on the back of some very difficult years.

So with these 2 factors that are underlying a lot of things, I'll just say a few words to the different businesses. CorSo, I don't think I need to say much. They continue to perform extremely well. There's really not much to say there. What I'm pleased to see is that we continue to see risk-adjusted price increases. A year or 2 ago, we might have not expected that, but I think that the increase in reinsurance prices is finding its way through inflation, of course, some of the uncertainties, the climate change, et cetera, different factors that play a role, but I'm pleased to see that year-to-date, we're about 4% up in terms of risk-adjusted rates, which is good for these markets.

Life & Health Re had a better quarter than the first quarter. The first quarter was affected a lot by the excess mortality in Q4 and Q1 this year due to the flu season and probably also part of COVID. Q2 was still affected by that. We're at the end of the value chain. Some of the data is very detailed, but some of the data comes more in bulk format and so also in Q2, there was some effect -- some negative effect from Q4 and Q1 phase.

This said, if we look at CDC data in the U.S. population mortality data, this is the reason to be cautiously optimistic about the future, the excess mortality at the population level has come down quite significantly since that time. But of course, as we reinsure at the end of the value chain, and this always a bit of a delay in terms of when it comes to us, and it's always the risk that our population which is different to the overall population could have different characteristics. But overall, with where we are, we believe we can make that target of $900 million.

And in P&C Re, after a difficult Q1, which was, of course, hit by the earthquake in Turkey, which was one of the biggest actually in our history in terms of amount, we had a light nat cat Q2. I have to say we and probably other reinsurers because overall, it was a heavy nat cat Q2. Overall, the estimate is that's about $50 billion of market loss by half year. So this will be a heavy nat cat year. It's just that many of these nat cat losses were relatively small, like the consecutive storms in the U.S. and haven't hit the retention levels of reinsurers. So from my perspective, I'm really happy about all the reunderwriting we did, the moving up of retentions, all of that seems to work out as expected.

On the reserves, the reserves are broadly flat in CorSo and P&C Re. Of course, we published also some of the line of business view. So this has caused some questions today. I can understand that. The pattern we saw over the last few years is continuing in the sense that we had to strengthen, we wanted to strengthen the casualty reserves. There were some negative filings on clients plus, of course, some of our assumption changes. While at the same time, we could compensate that with [PMS] reserves, which are -- which had enough conservatives in them for us to release some of these reserves.

We published the triangles once a year. So of course, you saw the triangles in April or May. So this -- I think it's a significant level of transparency over the reserves. And you can see there, although some of the stronger parts of the reserve, some of the weaker ones. But overall, again, the result is flat.

When it comes to casualty is, of course, the big question, how to interpret that. We had a few quieter quarters. This is all due to the closing of courts in the U.S. And so now they have reopened. And the difficulty, of course, for everybody, this is an industry-wide issue, obviously, is to estimate how much is it a trend and how much is it an acceleration or compression of time line because the courts were closed and probably focused when they reopen on more criminal cases and then you will have a pent-up demand, so to say, on that side. So this distinction, I think nobody can give it, but we will, of course, see that over the next quarter.

So that's on the business units. What other ones to be mentioned, of course, the capital position remains extremely strong with around 300% SST ratio. It shouldn't be a surprise, but this is probably one of the highest levels we've had in a very long time. So that's good. And with this half year, we continue to be totally focused, of course, in the second half of the year on achieving our goals, our targets.

And with that, I hand over to Thomas.

Thomas Bohun
Head of Investor Relations
Thank you, Christian, and hello to all of you from my side as well. [Operator Instructions] So with that, operator, could we have the first question, please?

Question and Answer

Operator

The first question comes from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Bernstein Autonomous LLP

The first question is actually on CorSo, I was just trying to get to the bottom of the 30-week casualty results in Q2. And I like the heart of the actual report, it talks about prior year development related to 2019 -- pre-2019. So as I understood it, pre-2019 is 80% ceded to just to reinsurance as part of the [ADC]. So is there a raise here in both -- so that -- to the fact then it still impacted CorSo would imply quite a large underlying movement and maybe some of the CorSO development is what's showing up in REIT. Could you just clarify what exactly is going on, on some of that old CorSo casualty business. That's the first question.

Second question. Just on midyear renewals, why the loss cost inflation assumption tick up from [13 to 16]. Is that just a mix effect or a large effect because it includes a lot of U.S. property, Australian property. So it's just a geographic effect? Or is it, again, a more conservative view of loss cost?

John Robert Dacey
Group Chief Financial Officer

Andrew, it's John. Let me start with the first question. Yes, of course, prior year development was related to especially 2 [pro] lines. And as you say, some of the losses, remember the losses were probably before 2019. They did share some of that loss with the reinsurance book, but they actually absorbed quite a bit themselves. So I think you saw the casualty combined ratio up for CorSo at 110. That reflects the parts that they retained. And as you say, a little bit of that moved over through the ADC into the prior year development in casualty for P&C REIT. I think this related to a couple of actual claims and some adjustments and assumptions of what ultimate claims cost might be that we're put in place here.

The other issue in the current year, some man-made losses related to some large number of industrial losses of some large number of industrial losses, some fire-related properties, some other casualty losses that would have dropped into the accounts.

And then the second on midyear?

Christian Mumenthaler
Group Chief Executive Officer

I can take the second one. Not that I know all the details, I have to say, Andrew, this is not a top-down number, of course. This is a bottom-up number. And before every renewal, all the parameters are reset, including all the inflation parameters. So you have a review of all the models. So there could be change in different parts. And then there is the review of the inflation assumptions, which is broken down in these different types of inflation that we would expect in different lines of business. So I don't have a spreadsheet in front of me to reconcile it, but I trust that this is basically the output or that team has from all of these thinking, and this is how it then applied to every single costing. We have a big database of all that and we extracted and said that's where these numbers come from.

Operator

The next question comes from Kamran Hossain from JPMorgan.

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

Two questions from me. The first one is just on the large business. I guess you're running a little bit behind your kind of halfway point the assessed results in the $900 million target. What is the -- is there some kind of natural tailwind that you should expect in the second half in the Life business is interested in kind of how you catch up to that $900 million.

The second question is just on the -- I guess, on the planning P&C Re. To what extent do you think you're actually running ahead of plan? So you're below low 955 in the first half, your kind of assumption for the second half should be a little bit better than 95% because you've got more cat premium. So to what extent do you think you're actually running ahead of kind of better than 95% at the half 1 stage, given kind of what you've achieved so far?

John Robert Dacey
Group Chief Financial Officer

So Kamran, maybe I'll ask Christian to do the Life side, and I'll come back on the P&C.

Christian Mumenthaler
Group Chief Executive Officer

Yes, the Life side, it's not like P&C, where I'm sure John will explain some of the benefits we might have in the second half of the year. And the Life side is more the current business that we write, of course, and some large transactions that might help. There is always work on some specific transactions on the in-force book that we work on, there's natural volatility. And then, of course, the biggest question is in terms of COVID or excess mortality, to what extent will we see a research at the end of the year? And how big will that be? And I guess if you use postpandemic to look at that, you see decreasing pumps down to the level which is normal, every winter has a bit of a hump. But this one was still pretty severe. It was much, much less than during COVID than previous years.

So I think it's -- certainly to me, a readily logical assumption to assume that next winter will have a hump, but it will be, again, further decrease. So between all these factors, like the belief that we can make the $900 million. Of course, if there was a new wave or a new resurgence of COVID or something like that would make it difficult. But I don't think that's closable at this stage.

John Robert Dacey
Group Chief Financial Officer

And maybe the other thing I'd say, both for Life & Health and also for P&C is we continue to reinvest our portfolio at these higher rates and the investment income will -- should systematically be going north quarter-by-quarter. One of the things that you probably saw we've done is some derisking in the asset portfolio with the sale of some listed equities towards the end of the second quarter, and those will be reinvested in fixed income, both in P&C, but to some degree, also in Light and Health.

On the P&C Re combined ratio, I mean, you're right, we would have expected a -- to meet the target of 95% for the full year. Sorry, not that we expected, but it would not have been a surprise if we were found ourselves with a reported number like 96% in the first half and still be very comfortable that we can come down to the 95% for the full year. And the earn out of more than 60% of our nat cat premium in the second half, the continued impact of the price increases we received not only in January, but April and obviously, in July will all support a continued improvement in the technical result for P&C Re. So I think there's reason to be pretty optimistic about our ability to deliver against that target as we go forward.

Christian Mumenthaler
Group Chief Executive Officer

Of course, always assuming no big nat cats or unforeseen consequences. We all talk in terms of normalized looking forward.

John Robert Dacey
Group Chief Financial Officer

Absolutely. Having said that, we've got a budget which can absorb more than $1 billion of nat cats in the second half of the year and still meet those targets.

Operator

The next question comes from Ivan Bokhmat from Barclays.

Ivan Bokhmat
Barclays Bank PLC, Research Division

I've got 2 questions, both, I think, related to casualty and reserving. Firstly, on the casualty. I think if I sum up the development specifically in the first half, there was almost $900 million taken in. Maybe you could shed some light of within that number, how much would relate to actual kind of case reserves and how much would be kind of IBNR changes in assumptions and such?

And the second question, I think, somewhat related is, would you be open to the idea of building reserving buffers? Much like now one more of your peers have started suggesting. Of course, you will have some opportunity, I guess, as a part of the IFRS 17 migration. But conceptually, what will be your pushback to having a more explicit buffer?

John Robert Dacey
Group Chief Financial Officer

Let me try both of those, and Christian may jump in with a little bit of nuance. But I think across the business in the first half of the year, yes, we found redundancies in our reserves in multiple pockets, both in property and specialty. And frankly, we saw a reason to think it would be wise to reinforce some of the casualty reserves that we have on our books. There were some case developments, which were clearly indicating that we would -- and this is obviously coming from our primary claims that we would almost need to put some positions in, but there is also a considerable amount of assumptions and extrapolations, which brought us to a number which for P&C Re was about $800 million round numbers.

We also reinforced some of the casualty reserves in CorSo as well. And again, that was helping to drive that casualty combined ratio to 110. In that case, again, some experience and assumptions. So I think we've got those in place. We also have in place the inflation IBNRs that Christian referenced at year-end, that was $1.2 billion. We've made some adjustments during the course of the first half of the year, including some additions for potential inflationary impacts in 2024, which leaves us just above $1 billion at June 30 for that IBNR. So I think we're just recognizing the reality that U.S. liability, in particular remains problematic. It's affected our appetite now for a number of years on how much new business we're prepared to write.

And specifically, Christian also mentioned, our proportional property [casualty] book on the July 1 renewals is down 30% on renewals, and that's just consistent with our limited appetite for that U.S. exposure. And the large corporate risk exposure is down 70% -- more than 70% over the last 3 years.

With respect to your question on reserving buffers, I think our goal is to have very solid reserves overall. In any one quarter, you might see some movement or as you saw here in the half year. But funded with redundancies, we've got other places. I can't guarantee that, that will always be the case in every quarter in every position. But I think what we see is an ability for us to manage over the recent past to say these things will even themselves out and not get particularly excited when we're $30 million above or $30 million below in any one period. So I think we've got almost $40 billion of casualty reserves in place between Corporate Solutions and obviously, the majority in P&C Re. We're comfortable with our overall P&C reserving levels. We think they're very more than adequate, and we'll continue to view this.

As we migrate to IFRS 17, like most of our competitors done, we'll evaluate what that means for multiple dimensions of our business. But I don't think you should expect us to deviate dramatically from a best estimate view of the world.

Christian Mumenthaler
Group Chief Executive Officer

I might add, obviously, this is a question we get a lot. There's no concept of buffers in U.S. GAAP. It's all -- it has to be best estimate, but this confusion because the best estimate itself is obviously not a clear number. So what we typically do is we calculate our control -- actual control function, calculates the range that they see as reasonable for best estimates and then we try to pick a conservative pick within that, but it's not called the buffer. It's just technically within the best estimate.

There's also the concept of management best estimates. So if you feel that there's too much optimistic bias or so, we can add reserves. So it's -- in the end, it might be similar, but it's not -- we'll never talk about buffers or something like that. What is clear, in my view is for the whole industry, everybody reinsures insurers in the time of hardening rates after some bad experience in the self cycle, everybody gets a bit more conservative. I think that's inevitable and that's not, let's say, explicit, but it's probably happening everywhere.

Operator

The next question comes from Freya Kong from Bank of America.

Freya Kong
BofA Securities, Research Division

Two questions, please. Firstly, on the casualty strengthening. Would you be able to give us some steer on of the strengthening, what was actual case reserves developing poorly versus increased reinforcement? And is this theme of reinvesting redundancies from property and specialty into casualty going to be an ongoing thing we should expect. And you also touched on the outlook for court cases being somewhat uncertain whether it's catch-up or not. What is your assumption here?

And then secondly, just on solvency, which is well above target. Could you just remind us of some of the negative impacts you had flagged at the -- at the start of the year in terms of hedges unwinding? And what is your plan here? Can we just get an update on the plans here?

John Robert Dacey
Group Chief Financial Officer

Let me try both of this. On the first one, I actually think it's probably the same question, Ivan asked and I'll give you the answer. Yes, there were some case adjustments based on reports up from our primary clients, and there were some related to extrapolations and assumptions, and we're not giving the specific breakdown between the 2. But they were focused on, I think, U.S. liability and motor as well. And on motor, less with respect to physical damage, there's obviously been an inflationary kick to that side of the industry, but bit more related to bodily injuries and deaths and associated with commercial motor in particular.

On solvency, we are materially above the top end of the guidance that we have for the sort of mid- to long run. We explained that we were relatively under-risked on the asset side at year-end, and that was coherent with the $294 million that we published. We've remained under risk. And actually, one of the challenges we had, especially in the second quarter, but was that the -- we've left on a number of hedges, including for the equity portfolio, listed equity portfolio.

Unfortunately, there was a bit of a basis risk where the hedges were related to indices and the actual investments were specific positions chosen by our investment managers. Those did not necessarily overlap. And what we found is a bit of a mismatch in larger losses actually out of some of the hedges than we saw gains out of the actual equities. And reviewing that during the course of the quarter, we've made the decision to simply reduce materially the listed equity positioning.

And so again, at June 30, you'll find a relatively risk-off position, both in terms of the exposure to equities as well as in the high-quality credit that we're focused on. And so that's contributing to the relatively high SST ratio that we'll be showing at 6 months. We haven't finished that calculation, but the guidance we're giving is you should expect something in or around 300% as a June -- or July 1 SST ratio.

Operator

The next question comes from Tryfonas Spyrou from Berenberg.

Tryfonas Spyrou

Joh. Berenberg, Gossler & Co. KG, Research Division

The first one is on investments. I appreciate you sold out [completely] out of equities, but you still have a sizable sort of $3.6 billion private equity exposure even when you exclude your strategic investments. So can you maybe give us some color on your thinking when it comes to the space overall? I noticed that you also had some valuation gains in private equity. So presumably, you haven't seen much pressures here yet, do you not expect any pressure going forward?

And the second question is on the topic of PSS and potential related liability exposures there. I was wondering you have set aside any specific reserves for potential exposure to this. And I was wondering the casualty strengthening could possibly relate to that? And maybe I was also hoping to get your thoughts on whether there have been any exclusions [indiscernible] some of policies that could [indiscernible] alleviate some exposure for the down line.

John Robert Dacey
Group Chief Financial Officer

Thanks for the questions. With respect to the asset side, you're right, we do have a curated portfolio in private equity. What I can say is this has performed surprisingly well in spite of the market volatility we've seen in the last frankly 15 months. And while we expected some revaluations and potential write-downs around year-end, maybe with a lag coming into 2023, they did not materialize in any significant way.

So we're staying very much on top of this. We've got a policy whereby if we're convinced that there's bad news coming on this particular portfolio, but it may not have been reported because of the lagging we're prepared to go ahead and estimate a write-down. We've not seen the need to do that in Q3 for anything that might be -- or Q2 for anything that might be coming in Q3.

One, at a subsequent event, which I can reference because it is actually available if not easily in the public domain as we did make the decision to reduce to close to 0, our strategic investment in CPIC. We made that investment in the London-based GDRs. And we decided that the volatility that we've seen and the share price in the last 6 months was probably more than we wanted to hold on to. And so a very friendly action with the company, they were grateful for our initial investment. And we always -- we're expecting to hold this for a period of time. I think we're in fine shape the company itself, we're very strongly able to belief that it's performing very well. This has nothing to do with any insight that we have on CPIC, but rather simply the volatility in the asset portfolio was a challenge for us.

Your question on PSS. Look, I just rolled this into the broader issue of U.S. liabilities and our view that the mass tort system in the U.S. is going to continue to be problematic for the insurance industry. And so when you see us increasing reserves in [casualty], you should assume that we are thinking about all the different vectors and different specific items that might be responsible for increased claims payments. I think the -- this is not a new issue for us. We've seen this developing over the last 5, maybe even 10 years. And so you should not be expecting that either were surprised or that were unprepared for what might be some real losses here, how big those losses will be to be seen, and we'll continue to evaluate this over time. And if we see the need to make any adjustments, we are little bit of increase right now, we're okay with the reserves we've got set up.

Operator

The next question comes from William Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

Just first of all, we will touch on that inflation IBNR that you inserted. It looks like it's been absorbed sort of 15%, maybe 20%. You mentioned in the comments that some allowance for the 2024 inflation assumption. I guess that's new because it's extended from the end of '23. Any more color on the change in assumption you can give? Does this extrapolate a quarter? Or is it for the full year? Is there a specific country that, that is driven by or it's more generic?

And then just thinking about that motor component of the strengthening outside of the bulk IBNR, can you verify that was a U.S.-specific commercial? Or is it more broad-based? And finally, just a quick one on reinvestment yield. It seemed to go down quarter-on-quarter in P&C, still at a very high level. It just seems strange given the dynamic in the quarter. Is there anything abnormal in either quarter? I guess what I'm trying to get to is what's the better one to use for a run rate.

John Robert Dacey
Group Chief Financial Officer

Okay. I'm pretty sure you managed to squeeze 3 questions in, but I'll do my best. On inflation, the adjustments we made for 2024 at this point are small. Again, we're -- when you think about short-tail lines, our view is we've made our loss cost picks and in the last 12 months, understanding that there is considerable inflation coming through on property, on motor, and other places. And so I think that's in pretty good shape.

And then secondly, with respect to longer-term lines, at least in casualty, we've also made those material price adjustments. So the delta that we saw necessary for 2024 has been pretty modest overall compared to what were much more significant positions and that the 2022 reserving where both short-tail and some longer-tail lines were hit, not just with the challenges of CPI-related inflation but wage inflation, medical inflation, all having contributing factors to the way we thought we needed to build that IBNR.

Your 2a or 1a question motor is largely U.S. and largely commercial motor. Again, the private auto, it was cost more to repair and replace. But those price adjustments have largely been made both in the primary industry as well as by reinsurers already last year. What's continuing to be problematic, as I say, is large dollar settlements for serious accidents that involve individuals either being badly hurt or killed in a commercial position.

And the third question, I'm sorry, I stopped writing.

Christian Mumenthaler
Group Chief Executive Officer

Maybe I can take it. So the reason why it dropped slightly is mostly based on the mix we invested in, so it was less in corporate. And that's the reason why it came down a bit, so not because of interest rate levels.

John Robert Dacey
Group Chief Financial Officer

So on a going forward basis, probably half year number rather than in Q2 would be the right way to go for it.

Operator

The next question comes from Derald Goh from RBC.

Derald Goh
RBC Capital Markets, Research Division

Two questions from my side, please. The first one, I'm just thinking about your P&C Re 95% combined ratio. Now that you've completed all the main renewals to date, how do you think those have turned out relative to the expectations that you had during the year -- they're not better or worse? And also within that, so you flagged 3 points of improvement from rates, are you getting any benefits from exchange?

And the next question, I'm sorry to go back to the [indiscernible] additions, but I'm just thinking about on the P&C Re side of things, can you say if these were mostly from excess of loss type of contracts? And are you looking close to your coverage limit? Or is there a chance that maybe you're close to tapping out those lenders already?

John Robert Dacey
Group Chief Financial Officer

So let me give these a try. The first question, yes. I mean, over time, we expect these price increases to be valuable to us in the technical result. Again, the right way to think about this is not the 18% increase, but the 5% marginal improvement, which I think is what you've got. We anticipated some of that when we put out our targets for this year. And so I guess what I'd say is with the July renewal, we probably are at the upper end of what we thought was going to be the -- a range of potential improvements. We're also probably at the upper end of what we thought was going to be the range of required price improvements of 13% materially higher than anything we've seen in the last 5 years.

So overall, this should help us going into 2024 with the technical result of P&C route. And that's where I think you should see it. We're far away from being in a position to start talking about the 2024 combined ratio target. But obviously, that will be under IFRS 17 anyhow. So we'll have to show you the transition, and we'll give you some indications on our Investor Day on December 1.

With respect to casualty, again -- sorry, the specific focus was on the -- could you -- if you could repeat -- could you just repeat the casualty specific question.

Derald Goh
RBC Capital Markets, Research Division

Absolutely. I'm just thinking for the P&C Re exposures that you've added. Were these coming from mostly excess of loss up of contracts or a quota share? I'm just thinking about the risk of potential additions.

John Robert Dacey
Group Chief Financial Officer

Yes. So it's a mix. And I -- with individual clients, we're clearly in very different positions. And I think it's -- we're not in a position to say that we're reserved up to absolute maximum exposures. Any place , I think that would be nearly impossible for any reinsurer to do. What I can say is we've evaluated systematically where we think exposures are and feel pretty comfortable with the position we've got on June 30. And as new information comes in, either positive or negative, we'll evaluate that and think through what that means for total reserves as well as the allocation across lines.

Christian Mumenthaler
Group Chief Executive Officer

Derald, on your FX question, on the combined ratio, there's a small negative impact that we faced in the first half of the operating part of the combined ratio got worse. You can see that on Slide 23, and a small part of that is because of unfavorable FX.

Operator

The next question comes from Vinit Malhotra from Mediobanca.

Vinit Malhotra
Mediobanca - Banca di credito finanziario S.p.A., Research Division

I hope you can hear me. My 2 questions. First is on the market outlook because I think compared to at least one of your larger -- large German peers, you seem to be a bit more optimistic about the whole supply-demand equation. And I'm just curious to hear what do you think -- do you think flat next year is good enough? Or you think more can we have from this pricing cycle? So that's the first question.

The second question is on renewals, please. So I'm just looking at the Slide 7 and the $0.1 billion economic pretax earnings increase. I'm just curious, does it not sound a bit lighter than what could have been expected because you got $0.2 billion in April, which is a small revenue. In July, you've got a 5% price increase on roughly $4 billion of premiums, and then you have the $0.1 billion. I mean, is there something else going on here that should or should not be -- or maybe it's not even important. I'm just curious to hear your thoughts on that number.

Christian Mumenthaler
Group Chief Executive Officer

I'll try to take those. So maybe the second one versus more specific -- price increases were already there a year ago in July quite significantly. So I think what we write is that with the portfolio, even though we cut it quite a bit on an economic basis, we still continue to earn more. So I think it's probably mostly if it's versus your expectation is probably because it already went up quite a bit a year earlier.

In terms of the supply demands, I'm not sure we're more optimistic of what we are. But I think it's impossible at this stage to forecast what's going to happen at [1/1]. We can look what is clear, it's a function of where the year ends. So it's always a function of what has happened so far. And there's different factors that are going to play a role. I think one big role is how is the year developing. If there's very little natcat, it's hugely profitable is a different situation. Then if you imagine another Ian coming this year, I think it's going to be panic and markets are going to go up significantly. So very different potential outcome.

You have on the capital market side, you have less inflows than you used to have. There was a bit of a bonanza in the last few years. And as I said, with Ian, I think these are really cool down. And there's still some people coming in, they play more in the ILS space or they're very specific and go behind other reinsurers. But within high interest rates, I think it's understandable that there's other opportunities for capital out there in the current year.

And then another thing we don't know is the clients themselves. I think they set a budget last year, which was probably already set by the time Ian hit and the price increases were much higher than they thought. A lot of those clients decided to stick with the budget they have, which is in terms of premium, right? They think it has a premium in profits, they give away. And so some of them didn't fill their programs or couldn't react completely to the market change.

So what will be interesting this year is to see now that the time to think and also we think Q2, obviously, with a lot of smaller nat cats, how will they buy or what will be the buying behavior by the end of the year? And is there a higher demand this time more than last time or not? So these are all questions to consider. I'm not giving the answer. But I would be surprised if prices go down at the end of the year. I mean the whole reinsurance market comes out of several years where it had to absorb very significant losses. And so over the long term to make the returns necessary for shareholders, the reinsurance market needs more.

Operator

The next question comes from Ashik Musaddi from Morgan Stanley.

Ashik Musaddi
Morgan Stanley, Research Division

Just a couple of questions I have. First of all, with respect to reserving in casualty, I mean is it possible if you can give us some color about property and specialty and combined ratio in property and specialty in the P&C Re business was just coming at 70%. So how much of that is attritional? How much of that is reserve releases? So some color on that would be helpful. And what are the sources of those reserve releases. For example, in first quarter, I guess, a big part of the reserve release from property cat was Hurricane Ian release. So any color on what's going on the reserving side would be helpful.

Second thing is, again, sticking on that topic casualty business. I mean combined ratio of 119%. Now you gave reasonable color about some of the reserve additions is to do with cases or something is just adding prudence, et cetera. But any color you can give as to what is the underlying number without reserve changes for the casualty business? Is it above 100%? Is it below 100%? Any color on that would be helpful.

John Robert Dacey
Group Chief Financial Officer

Sure. Let's see if we can do some real-time math on your second question. On the first question, yes, in property for P&C Re, the numbers were flattered by the releases we had, especially the flood-related position on Ian. But I think there's some other pieces that we're able to come through as well. I think specialty, it's 76 also received a benefit. And we're not quantifying the amounts. But I think in both cases, the underlyings are performing very well and they're flattered by these releases that came through.

On Corporate Solutions, what I can say is the specialty line, which looks okay at 94.6% was actually running materially better than that. We've made an adjustment in the first quarter for the Ukraine war losses and that would have dropped into the specialty combined ratio as well. And so if you remove that, the specialty looks materially better than that 94%. And again, the Casualty was the addition of this $200 million roughly on reserving for FinPro and some other pre-2019 losses.

On the casualty, we back out the position. I'm just seeing -- we're probably very close to [100], maybe not below it, taking out those positions. And there's one of the reasons why on the renewals, we were saying, when we need the price increase until we need to continue to reduce our overall position. Having said that, many of the casualty lines, the duration will give us a lift with the higher investment income on a going-forward basis. So it's not that it's necessarily uneconomic at [100] but we expect more at this point.

Operator

The next question comes from [indiscernible] from Exane BNP Paribas.

Unknown Analyst

The first question is on the 70 bps and nat cats in Q2 in P&C Re. What's your assessment of how much of the number -- the [indiscernible] number is due to reunderwriting and higher adjustment points, et cetera? And how much is due to just good for June or maybe the shape and size and losses in Q2 that you saw or didn't see.

And then second question, back on the CorSo relationship with P&C Re. We're now to remember renewal season. I wondered if you could give us a flavor of how much reinsurance cost that was being able bind on the open market? Or maybe how much has changed the dependence on P&C Re over the last 12 months?

John Robert Dacey
Group Chief Financial Officer

Yes. So on the first one, as Christian said, it was not a light first half for nat cats. We estimate approximately $50 billion of insured losses. And best guess is you can do almost a 50-50 split between the 2 quarters. So Q2 at $25 billion plus or minus, is a significant quarter. It's a very significant second quarter. And our view is that, in fact, the systematic re-underwriting of our book removing ourselves from high-frequency layers, aggregate covers and some of the secondary perils, which we've been talking about now for a number of years, has been material in reducing our exposures and the losses associated with that.

What we've not tried to do is the scenario recreation of it if we did our 2020 exposures with these losses, what it would have looked like. But I can say, they hit the insurance industry, they would have hit us in some more material ways than previous years. And I'm actually very pleased by the underwriting in places like Canada, where you saw primary companies report very sizable losses from the fires there. In the U.S. where the windstorms, hail, floods were material in second quarters to some important primary companies. And even in Australia, where our New Zealand losses were significant but somewhat contained between the Cyclone Gabrielle and the other floods there. So I don't assume -- that's all good luck. I think this is some real underwriting discipline that's delivered there.

On CorSo, the nat cat experience was de minimis in -- actually in the first half, but also in the second quarter, truly 0 in terms of any large nat cat losses. They're probably a little bit of luck -- I'm willing to suggest the path of a hurricane and in which factory it obliterates is not within our control, but we did not have that loss in spite of significant property books.

Christian Mumenthaler
Group Chief Executive Officer

On the reinsurance side, maybe this is a really important point because about 10 years ago, some of you might remember, everything was reinsured with reinsurance out of the sole debt why give economics away. But we have changed that dramatically starting '19 because reinsurance is a really important pricing signals, and we don't want to cause to benefit in any way or not be a responsible player. So the mandate is to go up to 50%, and I think they have more or less reached a point, so 50% with external buying so that we have pricing points from the real market. Even though in the beginning, that was tough because it was a new player, if you want, buying reinsurance, but by now of course has its own relationship with some reinsurance partners and we're very happy about that. And if anything, we're going to push to increase that further.

Operator

The next question comes from Sourabh Kulkarni from Societe Generale.

Sourabh Kulkarni
Societe Generale Cross Asset Research

This is Sourabh from SocGen. Just one question from my side. It's actually a clarification, I need. Does the casualty reserve strengthening done in 1H sit on top of the inflation IBNRs you did in year-end 2022. At least some of it, which is not driven by case reporting any specific to inflation-driven reserving? Or in other words, would it have been feasible for you to allocate some of these IBNRs to these casualty lines where you did disastrous [indiscernible] in 1H.

John Robert Dacey
Group Chief Financial Officer

So let me try. That extra reserving done in the first half is in addition to the inflationary IBNRs we've got in place. As I mentioned, we've allocated some of those inflation reserves. So we -- at December 31, they were $1.2 billion. But at June 30, there's still over $1 billion of IBNRs for inflation. And some of that's in CorSo, but the vast majority of that is in P&C Re. And I think, yes, over time, you may see some of that migrating into casualty-related inflationary impacts also the motor portfolio that we said has been problematic for us.

Christian Mumenthaler
Group Chief Executive Officer

I think to be more precise, the way the question is when we set up the $1.2 billion of reserves IBNR for inflation, it was specifically -- we had a thought around all the different line of business and how they would be affected by inflation in which underwriting year and by when we would see it so that we basically have conceptually, there's a writing down of this liability that we built is this asset in line with when the underlying inflation should become visible, which means that this year, in H1, the releases we have from this IBNR reserves are more in the short-term lines. So there's no benefit yet for casualty, casualty would come later, and we would also expect the effect of inflation to hit the casualty lines later. So it eventually will come, but not in H1.

Operator

The last question from today con call comes from Thomas Fossard from HSBC.

Thomas Fossard
HSBC, Research Division

Two questions. The first one would be related to casualty pricing momentum that you've seen at the July 1 renewals, especially in the U.S. Can you say a bit more about the trends? Because it seems to be that a lot of people in the market, a lot of players are cutting back exposure, and still the segment seems to be very prone to large losses and still we don't see much price reaction so far unless I'm mistaken. So can you tell us a bit more about the dynamics you're seeing on the ground?

And the second question will be related to your 300% SST ratio. I know that everything is not cash. But it's also difficult to believe that you're going to deploy significantly more capital into the market to write business than you did this year. So how to think about your 300% and when it comes to capital deployment and capital reallocations?

Christian Mumenthaler
Group Chief Executive Officer

Okay, Thomas, thank you for the question. On casualty, this is actually quite interesting from our perspective. But of course, every player will have their own perspective in the market. We obviously had -- the really bad underwriting is of [13 to 18], mostly. We also see [19] a little bit deteriorate but that's the bad underwriting year. And it took several years to find out that they are bad because first have to wait for court cases to come through. And so when this happened, we reacted and we started to wind down our exposure. But of course, the cases continue because, first, it hit the year -- the earlier years, and now it's moving forward towards the later years of that period.

You remember that from then on, when we dug very deep to try to understand what's actually going on in the U.S., it made us very pessimistic. We have been pessimistic now for years because this is a bit out of control. This is hedge fund finance, the plaintiff bar, highly organized using digital data, using human psychology to insurance, jewelries, et cetera, there's a whole industry around that and how do you want to model that and how do you want to foresee the price increases that are necessary for this social inflation. That's what it is, the cost to society. And we see very little signs of this stopping. There's early -- very early signs in some jurisdictions where there's some limitation being put up, but there's nothing comparable to tort reform in the U.S. yet.

And ultimately, in my view, it will have to complicate, it cannot grow to endless proportions. So in that skepticism, we cut and as some players decrease their nat cat exposure, I think -- or that's my feeling, my interpretation, many. So this is probably the best time to enter casualty. Of course, you can make a bet that with all the increases that we saw in the primary market that this will be enough to cover it. But I just think it's very hard to quantify. It's not a nat cat. It's sort of a human cat that's happening, and it's very hard to predict. And so there was a lot of -- indeed, a lot of people going in and the prices haven't gone up as much as we think assured, and therefore, we have continued to cut the movement was not particularly strong at the one renewal this year.

Since then, it's cooled down a little bit. So I think more people are getting a bit nervous about what it means. Of course, those who have entered now we'll probably only see the real results come out in 4 years. So this is, of course, the challenge of this line of business. So we are actually astonished that, in our view, the rates are more going down than up net in casualty. So it's -- when we talk about hard market, we talk about nat cat and a lot about casualty. But of course, I appreciate that somebody else might see it differently. It's really all about your future outlook of this line of business and whether you think the price increases are higher than, let's say, long-term social inflation trends.

John Robert Dacey
Group Chief Financial Officer

And maybe just a final thought on that before I get your SST question. We've seen impressive discipline, I think, by the reinsurance industry on nat cat in 2023. And while there's been some people willing to do some of the higher-frequency layers, generally speaking, I think people have understood the need for rate and the need for an appropriate sharing of risk between the primary industry and the reinsurance industry.

I don't think we've seen that discipline in the casualty sector yet. And I'm not sure what it's going to take, but it's very clear that we're going to continue on our path and contain the exposures that we write going forward and manage the risks we currently have on our book.

With respect to SST Capital, I think we will look for opportunities to deploy underwriting risk where we think it's appropriately priced and where we don't run into problems with some of these exposures. So you should expect the 10% premium growth that you saw in 2023 year-to-date is not accidental. And CorSo's growth, I think we'll see where we might be able to continue putting capital to work there. The more likely place for a deployment of risk capital would be on the asset portfolio when we get comfortable that we're in a situation where, in fact, we can take more asset risk. We don't see that today, and we won't be making any giant leaps to a risk on position. But I think you could imagine between now and year-end or sometime in 2024 that we would be more comfortable on that.

Other than that, what I would say is our capital priorities remain in place. And we are determined to be one of the best capitalized participants in the marketplace. We also see the need to be responsible to shareholders to increase or at least maintain the dividend to put the funds to work in our core businesses. And if at the end of the day, we find ourselves with truly excess capital that we're not able to deploy, then we'll have a different conversation. But that's a February conversation with our Board of Directors once we've closed the year, I don't [indiscernible] the targets achieved.

Thomas Bohun
Head of Investor Relations

Thank you, Thomas. With that, we've come to the end of the call. Should you have any follow-up questions, please don't hesitate to contact the IR team. We'd like to thank you for all the questions and your interest, and we wish you a nice weekend. Thank you all.

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