S&P Capital IQ

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Swiss Re Ltd SWX:SREN

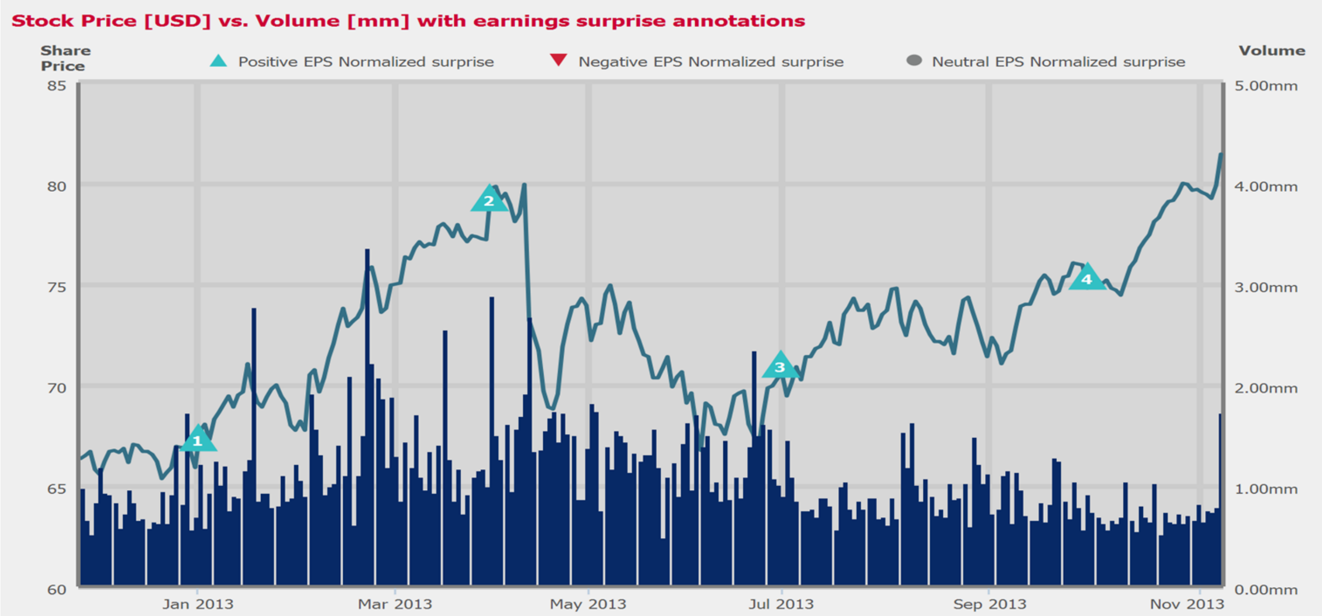
FQ1 2014 Earnings Call Transcripts

Wednesday, May 07, 2014 11:30 AM GMT

S&P Capital IQ Estimates

	-FQ4 2013-	-FQ1 2014-		-FY 2013-	-FY 2014-
	CONSENSUS	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	2.09	2.68	▲22.39	11.06	8.51
Revenue (mm)	7294.00	8877.25	▲0.75	33688.79	34965.85

Currency: USD
Consensus as of May-07-2014 8:20 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2012	0.50	1.53	▲1 206.00 %
FQ1 2013	2.88	4.02	▲2 39.58 %
FQ2 2013	2.29	2.33	▲3 1.75 %
FQ3 2013	2.11	2.92	▲4 38.39 %

Call Participants

EXECUTIVES

David A. Cole
Group Chief Financial Officer

Eric Schuh
Former Head of Investor Relations

Matthias Weber
Former Group Chief Underwriting Officer

Michel M. Liès
Former Group Chief Executive Officer

ANALYSTS

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Andrew James Ritchie
Autonomous Research LLP

Jason Kalamboussis
Societe Generale Cross Asset Research

Kamran Hossain
RBC Capital Markets, LLC, Research Division

Thomas Dorner
Citigroup Inc, Research Division

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

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

Presentation

Operator

Good morning or good afternoon. Welcome to the Swiss Re's First Quarter 2014 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. Please go ahead.

Michel M. Liès
Former Group Chief Executive Officer

Thank you very much. Good morning and good afternoon, everybody. And also from the Swiss Re, welcome to our First Quarter 2014 Results Conference Call. I'm here with David Cole, our Group CFO. While [indiscernible] is vacant until September 1 this year when our new Group Chief Risk Officer, Patrick Raaflaub, starts. Also with us, you remember he set up from for the full year results is Matt Weber, Swiss Re's Group Chief Underwriting Officer. Before diving into the Q&A, now I'd like to hand over to David for a quick summary of our results.

David A. Cole
Group Chief Financial Officer

Think you, Michel. Indeed, good morning and good afternoon, everyone. It's, of course, my pleasure to be starting my new role with such a strong result. I know you've had a chance to look at it, so I'll just keep my summary very short. In a nutshell, we had a very strong performance coming off of underwriting in P&C Re, as well as, I think, benefiting across the group from the rebalancing actions that our Asset Management team had committed, primarily during the course of 2013.

You will see Corporate Solutions continues to grow profitably as planned and even, well, pay the dividend that was declared in Q1. And certainly, last but not least, we've also enjoyed a very strong gross cash generation and dividends from Admin Re paid, and we will have been paid in Q2 of $400 million. Expect a few questions around our strong solvency ratio, continuing strong solvency ratio under the SST of 241%, perhaps not fully expected by everyone on the phone, but together with the dividends that we'll pay to the group today by all 3 of the business units. Meanwhile, the group continues to be in a very comfortable capital position. And as you've heard from us in the past, you can rest assured that we will fulfill these forms wisely.

So with that quick comment, I'll hand it over to our Head of Investor Relations, Eric Schuh, who will host the Q&A.

Eric Schuh
Former Head of Investor Relations
Thank you much, David. [Operator Instructions] So operator, please let's take the first question.

Question and Answer

Operator

The first question comes from Tom Dorner from Citigroup.

Thomas Dorner
Citigroup Inc, Research Division

So my first question is on the reserve additions that you mentioned in your pre-recorded video. Could you just go through them and then perhaps what the offsetting reserve releases are? And maybe just more generally, you stay -- I assume you're sticking with your guidance that we should not assume ongoing reserve releases going forward. And then the second question was on Admin Re. You mentioned that you've put in place a new credit facility. Maybe you could say, is this an indication that you're getting closer towards doing any new potential deals? So any color around that will be helpful.

David A. Cole
Group Chief Financial Officer

Okay, let me start off with the answer to both questions and see if one of my colleagues would like to add any additional comments. On the reserve question, as in previous quarters over the last, meanwhile, almost 3 years, it's fairly broad-based realization of a prior year positive development, particularly on some of the relatively older years, from about 3 years, certainly well older than 2008 and beyond across most geographies and most lines of business, so fairly broad-based free-up of reserve. Frankly speaking, some of the same reasons that we've discussed in prior results discussions, relatively low -- extremely low level, in some cases, level of claims coming in. And of course, we think we're still getting some of the benefit of the fact that inflation is -- could be a bit more benign than what had perhaps originally been assumed whenever we were originally costing and reserving some of the business. We did put up some additional reserves in 2 specific areas, in our U.K. motor business where we've seen some reason to take a little bit of a different type of approach. Some of the business that was additionally looked at in terms of general liability but increasing, we see there are 1 or 2 areas where we need to look at. And also, from a quasi life and health type of an approach, we've seen that earlier in the U.K. with the advent of these PPO types of court judgments. We also have taken a good look at our French business. So we put up some additional reserves, specifically related to our French business in Q1. Other than that, we put up some additional reserves in our U.S. around the A&E space. Not the first time that we've done that. What we basically are doing there is make sure we're continuing to track the actual emerging claims experience, but also take a little bit of a look around what others are doing in terms of the general level of reserve for that business and just making sure that we are reserved at or close to the top of the benchmarks across the industry. In terms of your second question, the credit facility, so we're very happy, of course, to be able to conclude this facility with a consortium of banks, GBP 550 million. Meanwhile, it's been signed and partially drawn down. The original use of proceeds there was to repay our intra-group loan and indeed, there's still some capacity for us to use for, particularly, new deals. And although I'm not in a position to announce anything specifically, we certainly would hope until the course of the not-too-distant future, we'll be able to come back with information regarding new transactions in the Admin Re space in the United Kingdom.

Thomas Dorner
Citigroup Inc, Research Division

Can I just follow up on the reserve point? You still -- is your guidance still that one shouldn't assume continued positive evolution from here on in and this is just the actual versus experience as it has been in the last couple of quarters?

David A. Cole
Group Chief Financial Officer

Yes, indeed. Our guidance remains the same, so we don't incorporate it in our plan. The fact of the matter is, of course, we all watch what goes on in the marketplace, and we know what trends are out there, and it's certainly been inexistent in the last several years. But our guidance remains to not incorporate that in the expectations.

Operator

The next question comes from Thomas Seidl from Sanford Bernstein.

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

First question is on the pricing at the April when you -- I would like to have a bit more color, if possible, on what are the economic price changes which you used to record as a general renewal but didn't record this time. You've had mentioned the prices have been buffering, but the precise impact is not quite clear to me. And the other thing is, could you give us an update on the cleaning of July 3, 2004 portfolio? As I see it now, nothing has yet happened in Q1. What is the output for the remainder of the year? You told us you'll maintain your $500 million impairment guidance, but there are -- where are you in this process is my second question.

David A. Cole
Group Chief Financial Officer

Okay. Thank you very much. I'll pass to ask Matt Weber to take the first question and I'll come back on the YRT one.

Matthias Weber
Former Group Chief Underwriting Officer

Okay, thanks for the first and the second question. First question, on the price side, the price levels we saw in the market, in our opinion, are pretty well described by the broker reports. The release, they can give better reports. They match our own opinion. You probably noticed that this quarter, we decided to stay firm to the year before to not disclose the rate as we see for the April 1 renewal. If you allow me, I would like to explain this quickly. April 1 renewal is not a very big renewal. It is largely dominated by 1 single market, Japan, and this 1 single market is largely dominated by 3 or 4 large clients. So we actually decided not to disclose this information anymore explicitly because we felt it would be equivalent to disclosing a huge amount of information related to a small number of clients.

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

Okay. This is only now, or is it also for the upcoming renewal that you don't disclose it anymore?

Matthias Weber
Former Group Chief Underwriting Officer

It is for now, and we still have to make a decision for the upcoming renewals, but it is for now.

David A. Cole
Group Chief Financial Officer

Okay, thanks for that. Let me then come back to your second question, which was update on where we are in terms of addressing the underperformance of the pre-2004 business in the United States. And most of you will recognize, last summer, we announced our intent to robustly address the underperformance of that business, and we identified 4 different major levers that we thought we would be able to exercise in order to do just that. Let me just quickly go through all 4 of them, and I will conclude with the specific question that you were asking. So meanwhile, we've done quite a bit of work in rebalancing the asset portfolio. I think you start to see the results there are restarting to flow through in our results. And we certainly were very happy with the overall developments in the return on investments, as well as the running yield associated with those changes. We also have, meanwhile, taken significant steps in terms of addressing the actual capitalization and leverage of this business. So we've made good progress on that trigger, if you will, as well. We still have some work to do on that, and we remain quite convinced we would be successful in achieving the overall deleveraging goals that we articulated last July, which you may recall is a total reduction leverage, about $4 billion by 2016. I anticipate being able to provide you with a further update on that later this year. Third lever was really just continuing to write really good quality business with our client franchise, and I'm very happy to report that we've been able to do just that. That's something we, of course, have to continue working on, and you'll see that coming through our results on an ongoing basis. But certainly, what we've seen in the second half of 2013, indeed, the first quarter of 2014, has been quite positive. As to your question about where we're getting to with the actual existing YRT portfolio, a big part of which we recaptured from Berkshire last year around this time. I think you may recall that led to about a $75 million profit in Q1 of 2013. Actually, somewhat similar to what Matt Weber just described in referring to the pricing levels, we're in a series of discussions, so we are now in discussions with all of our cedents related to this business. These are very important discussions. Obviously, it's commercially sensitive, so we have opted not to give any specific detailed information about that. However, we appreciate how important this is to you, and that's why we would like to very clearly reaffirm both our best estimate for the 2014 total impact pretax of $500 million associated with these businesses, as well as our firm commitment to a return on equity target of 10% to 12% in 2015.

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

And is it fair to assume that the majority of these activities conclude this year? Or is it now more likely that we also see more activity next year?

David A. Cole
Group Chief Financial Officer

So when I referred to the $500 million, I referred to it as a best estimate in 2 ways. Number one, I think that's the total economic impact of the outcome of these various negotiations. And we said 2014 because we think certainly, the bulk of it, I can't say all of it, but we would hope that we'd be able to achieve an outcome such that we reflect that in 2014. That remains somewhat uncertain, of course, because it's subject to a successful conclusion of our negotiations.

Operator

Next question comes from Jason Kalamboussis from Societe Generale.

Jason Kalamboussis
Societe Generale Cross Asset Research

The first question is on the amount that you have dipped in that from the reinsurance business, from the P&C Reinsurance. I just wanted to have a feeling if it is -- if you feel that the excess capital that you have been talking -- I think the last time you reported was in 2011 but which had remained pretty much untapped, if that is reducing that excess capital you had within this unit. On the same question for Corporate Solutions, the $300 million, because I think the $400 million whatever and 85 that you did last time, was part of capital being released because, clearly, there was a lot of excess capital, and you didn't need it as much for acquisitions. So again, the $300 million, I want to know, to put that in -- to know how does that impact, again, the excess capital within Corporate -- CorSo. The other thing is if you could talk about just on Life Reinsurance, if you had any developments in the first quarter that are related to Australia?

David A. Cole
Group Chief Financial Officer

Okay. Thank you for that. So 3 questions. I'll start with the last, it's the shortest answer. No real material updates. The business was slightly profitable in Q1. We don't really expect any further significant developments on the reserving side having taken quite significant action during the course of 2013. It remains a business that will be subject to some volatility, but we feel comfortable with where we got to at the end of 2013 in the Australian disability business. Then if I go back then to the second question which is Corporate Solutions, so indeed, we declared and meanwhile have paid $300 million of dividends up to the group. And I would think it would be fair to characterize the forward-looking statement as we've got Corporate Solutions more or less capitalized in the order of magnitude that we would see it continuing on, so it may have been a little bit of extra dividend coming up this year. Future dividends, of course, will depend on ongoing profitability of that business unit. As to reinsurance, we have, meanwhile, paid $3.1 billion of dividend up to the group in Q2 of this year, declared and paid in Q2 of this year. The business reinsurance continues to be extremely well capitalized. I think if you look a little bit deeper into some of the reports, you'll see that SST ratio is, as of our 2014 first report, sitting at 232%, 232% versus what we've indicated as our targeted capital level for that business unit of roughly 175%.

Jason Kalamboussis
Societe Generale Cross Asset Research

So just on the $3.1 billion, you feel that you -- it is very well capitalized, but you have -- you still have left, you feel, all the excess capital that is within that unit there?

David A. Cole
Group Chief Financial Officer

So indeed, we're very happy with the $3.1 billion that has meanwhile been paid, and I would characterize reinsurance as it continues to be very well capitalized. So there is excess capital sitting in reinsurance.

Operator

The next question comes from Vinit Malhotra from Goldman Sachs.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

I just wanted to follow up one thing on the $3 billion redeployment topic, which we didn't really hear in this quarter but obviously was highlighted clearly in the full year results. And I'm just wondering if there's any update on that. And the reason I ask is from a dual perspective. One is that some of that capital was going to be used for Admin Re, but now you raised some leverage in Admin Re. So is that affecting that? And secondly, this $2.5 billion equity listed sale in the quarter, I remember the fact that Principal Investments were part of this bucket and the bucket was full. Does this equity sale leave you with some more room to maneuver on the $3 billion capital redeployment? If you could just focus on that, please. And secondly, in your video on the renewal growth, you mentioned U.S. casualty, but to get to 14%, you obviously would have to increase in Japan as well, and from all your peers, they're getting a sense that Japanese market is falling. Is this an example of the same private placement kind of deals that we've been hearing have been driving Swiss Re's growth in the past? And if I can squeeze a tiny last one. The Spanish construction $80 million reserve release, is this linked to the same business which we've been hearing a lot about in the third quarter on the planned 01 guarantees?

David A. Cole
Group Chief Financial Officer

I see some folks have apparently identified the math where 2=4. Let me see if we can pick him up, we'll be perhaps a little bit short on some of our answers. I'll start with the first question, the capital. Let me just reiterate our capital management philosophy which is to, of course, grow our regular business, grow our regular dividend, in conjunction with the growth of profitable business, invest in good client-led opportunities that we see across the globe, across the various business units. We are open for opportunities to look at inorganic growth that may occur. At the end of the day, we also have said that we are willing to, and we've demonstrated that, to return capital to shareholders if we find ourselves in a situation where we have significant excess capital that's not being deployed as per the strategy I just outlined. Now the $3 billion that you referred to, I think, covered the period 2014, 2015, and basically is comparable with the additional capital that we deployed over the years 2012, 2013. So it's kind of rough order of magnitude. There are a number of different ways that we believe that we could deploy that capital. You referred to Admin Re, and although it's true that we have now closed this facility, I think our aspirations for that business would certainly go beyond the level of funding that would be available under that facility. Bear in mind, some part of that facility was indeed used to prepay a future loan. So we remain committed to our capital strategy. We think that number is the appropriate number. It covers the 2-year period, not just the first quarter of 2014. As to your second question, indeed, we reduced our level of investment in listed equities, including for a number of technical reasons, a small portion of credit ETS, but basically listed equities, about $2.5 billion in Q1. Basically, it brought us down to within our midterm plan, which you will recall was 5% to 10% for equities and alternatives. At the end of last year, we were seeing an 11%, so we brought that back down to 9%. You correctly point out that we've been very explicit about the fact that our asset allocation into equities and alternatives includes our investments in principal -- principal investment positions as well. The short answer to your question is we maintain the guidance, as well as the constraints that we articulated around the announcement of our full year result, which is we don't anticipate the overall level of Principal Investments to significantly grow. It may grow somewhat more in line with the overall growth of the business. There may be some realizations within the existing Principal Investments portfolio and, of course, that would partially fund potential new investments there as well. As to casualty, if you don't mind, I think, as well as what's happened with our Spanish construction reserves, I may turn both those questions over to my colleague, Matt Weber. So let me just reiterate, the third question is can we get a little bit more insight into the contributors to the actual growth in our renewals in April. And second, I think, was just a little bit more detail around the developments on the Spanish construction reserves.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So with respect to the growth, most of it was driven by growth on U.S. casualty side. Please remember that price levels are going down in large parts of the world, but there are some exceptions. And probably the biggest exception right now is primary U.S. casualty. And as a result of this lever, we actually feel quite privileged that we were able to increase our proportional casualty writings in the U.S. You asked, is it more flow business or a small number of large deals? I can tell you it's somewhere in between. It's 4 or 5 midsized deals which don't qualify according to our own definition. They're 2 large deals, but they are at the upper end of the spectrum of flow business. It did not just happen like this. Quite frankly, we have been working several quarters, in one case, several years, with the clients on this, providing services, agreeing on services to be provided, and we feel fortunate that this quarter we were actually successful at translating this into a number of midsized deals. So the growth comes from U.S. casualty proportional business. And with respect to the Spanish guarantee business, yes, it is Spanish guarantee business, and we have just 1 Spanish guarantee booked, so it's also known as the xenial [ph] business, and we have seen favorable development there quite sizable as a result of the absence of large losses, which happened in the expectation, but they don't happen every quarter. And this quarter, they did not happen to the amount we expected them to happen.

Operator

The next question comes from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Autonomous Research LLP

Two quick questions. Just a clarification on Admin Re where you've taken on external leverage. I appreciate some of that has been used to repay an internal loan, but I think, am I right in thinking you can't do anything else to optimize the capital in Admin Re because there obviously still is some excess capital there? So it's not a case of doing any kind of equity for debt swap in that unit. The new leverage is duly to finance new deals. Is that -- just to clarify if that's the case. And I guess you hinted at some kind of pipeline of deals, maybe if there's any more sort of color on that, that would be helpful. And the second question, back to the growth in casualty format. Should I think of the casualty business that you're growing as unusual from typical casualty business? In other words, the tail is going to be reasonably long tail. It will have reasonably high attritional loss ratios. I appreciate, Dave, [indiscernible] we will encompass some investment income, but at what point will that growth in casualty start to filter through into -- as we shift to a higher group attritional loss ratio? Just a bit more color on that will be useful.

David A. Cole

Group Chief Financial Officer

Matt, would you like to just go ahead and take that one as an exchange for the last?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So answering the second question on casualty, there is often found a way how we were able to source the business by basically providing services and expertise in exchange for additional business. Nothing really unusual about this business. These are the typical quota shares, U.S. casualty quota shares, containing a lot of general liability. In 2 cases, motor liability is included. The tails are several years, but nothing unusual.

So please don't think of U.S. workers' compensation business-type tails. We continue to have pretty much no appetite for this type of business. So it's a tail which is within the first 10 years of the spectrum, and we are not talking 20-, 30- or 40-years' tail.

Andrew James Ritchie
Autonomous Research LLP

Can we -- we start to see the great [ph] attritional creep up, I guess, from next year as you're done through this business?

Matthias Weber
Former Group Chief Underwriting Officer

Yes. On the casualty side, the -- it starts on the very low level pretty much the day after you write the business, and then it goes up. And the speed with which it goes up is determined by the tail and sometimes a little bit -- there is a little bit volatility due to individual large losses or the absence of these large losses. And again, the time is less than 10 years on average.

David A. Cole
Group Chief Financial Officer

Okay. Let me come back to your first question, which is further detail around the Admin Re facilities. So in the [indiscernible] GBP 550 million facility, part of which was used to repay this intra-group loan. Actually, the overall facility is quite important to our Admin Re business, because at the end of the day, it's part of our management actions to reduce the weighted average cost of capital of this business. And indeed, there's still some availability under that facility to potentially fund new transactions. I would not say that we have exhausted all of the different management actions that we have. In terms of optimizing the capital structure there, we'll look to continually seek to optimize that. At some point, we imagine that as we move into a Solvency II-type world, there'll also be a, potentially material adjustment in the level of statutory capital required. In terms of the pipeline, I guess everyone recalls that toward the back end of last year, we were involved in some discussions with another party about a possible combination in the U.K. One of the consequence of that is that a number of the client transactions that we were having were put on temporary abeyance until we got clarity around where we would move with that transaction. Subsequent to those discussions coming to an end, we picked back up the dialogue with our clients. And I don't -- I'm not in a position to be able to make a specific announcement. But we remain, I think, quite optimistic, and there are several transactions that we can see coming to us in the U.K. market in the Admin Re space.

Andrew James Ritchie
Autonomous Research LLP

Okay. And just to be clear, is there any sort of one-off capital release up in Re U.K. with -- for the wait further clarity on the regulatory environment essentially, apart from the ongoing management treasury cash?

David A. Cole
Group Chief Financial Officer

I wouldn't say it that way. I'd essentially say that's one of the possibilities. It may lead to additional capital optimization opportunities for us. But it's not the only one, and we're not in any shape or form waiting, waiting for regulatory changes to happen.

Operator

The next question comes from Kamran Hossain from RBC.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

Just 3 questions. First on large reinsurance. I heard from one of your peers this morning that they're seeing increasing competition in life reinsurance. I'm just impatient to get your take on that and whether, actually, you're seeing that as well. And secondly, just coming back to Admin Re. Just thinking about acquisition costs going forward, obviously, David mentioned that there could be potential transactions coming up. And is kind of Q1 a decent run rate for acquisition costs at Admin Re?

David A. Cole
Group Chief Financial Officer

So let me take the second question. No, I think actually acquisition costs, clearly, amongst other things, reflect actual transactions that we would do. So there would be some variability around that depending on transactions that we would be involved with at any given time. So one quarter's numbers are perhaps not necessarily a good indicator of subsequent periods. In terms of competition, maybe I'll take it first very high level generically, and then ask Matt if he'd like to add anything to that. What I will say is our business has been, I think, going quite nicely. We see good opportunities, and we've been successful in closing transactions around the globe. So we feel, I think, quite good about our prospects there. Once again, we have the capability of leveraging our very deep client knowledge, and our ability to structure bespoke transactions that are quite meaningful to our clients. So there may be different movements going on in the marketplace, some people increasing capacity, others decreasing perhaps. But we actually see very good progress being made with our clients in this space. So, Matt, if you'd like to add anything.

Matthias Weber
Former Group Chief Underwriting Officer

Maybe if I could add here. I can relate to the statement if I think of life business in the U.K. area that we're typically seeing increasing competition on the reinsurance side. Luckily for us, we have a quite well-diversified portfolio. We do not see this increasing competition on a global level across all markets. And in addition to that, I can tell you that, especially on the life side, our pipeline with respect to large and tailored transactions looks actually quite attractive, quite full and is keeping us busy. And these type of deals typically are not subject to the normal demand supply balance because not every reinsurance company is feeling or indebted [ph] provides capacity on those deals.

Operator

The next question comes from William Hawkins from KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

My first question, I think I'm going over a bit of ground again, but I'm still intrigued on your use of capital. But by my numbers on what you said about dividends, you've pretty much already accumulated in the center enough to cover an ordinary dividend and a special dividend of last year. Without prejudging that, you guys have made it very clear you wanted to deploy that capital. But even at the full year, when you were talking about $3 billion, it was very hard to see where this capital was being deployed over the next couple of years. So I'm wondering if, again, maybe, Michel, if you could add a bit more color on that. And as a sub-question for that, without being cheeky. I'm confused, given Admin Re seems to be one of the clearest areas for deploying capital, why are you being so clear that dividends are coming out of Admin Re? I would've thought you'd just leave the capital there, if you're going to deploy it. And then secondly, in the normalized business, could you talk a little bit about the divergence experienced between P&C Re and

Corporate Solutions this quarter? Corporate Solutions is okay in itself, but it's above your 95% expectation when P&C Re was below. You didn't seem quite clear that man-made losses were benign in P&C Re -- in Corporate Solutions, and the reserve development was negative in Corporate Solutions as well. So there seems to have been a divergence between a great P&C results and just a good Corporate Solutions result, and I wondered if you could just maybe talk a bit about that.

Michel M. Liès
Former Group Chief Executive Officer

William, thank you for asking me your question. I was getting concerned that I wouldn't have any question. On your use of capital, definitely, if you take the 3 business unit, first, there is one for which, as we say the capital [ph] , definitely, the acquisition is part of the business at Admin Re. There is another one in which the company has been -- well, the business unit has been definitely capitalized for an overgrowth until 2015, but we never exclude it in case of Corporate Solution inorganic growth opportunities. And there include one for which I would say the structure is definitely really quite full, but we can definitely reuse the structure that we have in order to use more capital simply in the normal business that we have. I do not exclude anything inorganic. But if you take the order, there is one piece of our business which is naturally requesting capital for inorganic growth, because that's what they do. The second one we didn't exclude it because of the size that they have. And we know that moving away from the 2% market share that we have, there is probably some potential inorganic growth opportunity in reinsurance. We're confident that we can let the capital flow in the current structure and use it for providing capacity for our clients. But again, I do not exclude anything. Yes, that I can give you to that, plus the fact that has been mentioned by David that we simply use the same number for 2014, 2015 that we were using for 2012, 2013. We know that definitely in 2012, 2013, there was a sort of recapture of the group's quota share. It's a number which is -- it's -- there are still 20 months to go, and I'm quite confident that we are not that short of ideas that we don't find use for this capital in the next 20 months, to give you more or less the order of priorities.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

And just on a technical point about why getting a dividend from Admin Re when you clearly have such a healthy pipeline?

David A. Cole
Group Chief Financial Officer

So if you don't mind, William, I'll take this one. We think it's good discipline for all our business units to get in the habit of paying cash up to the group and certainly when we have excess cash, excess capital sitting, doesn't have immediate use for [indiscernible] to the group. So don't read that as any sort of indication about the timing of future transactions at Admin Re, simply as a matter of discipline we'd like to have that well implemented and practiced across the...

Matthias Weber
Former Group Chief Underwriting Officer

Okay. And taking the second question -- I was asked to go closer to the microphone. I hope you can hear me now. With respect to the so-called diverging experience between reinsurance and Admin Re, it's just fully 100% explained by good luck or a little bit of bad luck related to large man-made losses. On the reinsurance side, the normalized combined ratio of the correcting format cat and prior year development is almost exactly there, we want it to be and where we predicted it to be. Remember, the guidance was 95%. We are a little bit lower than perhaps where we have to be, actually because we are in Q1. And when we came up with our guidance, we expect that prices to continue to soften a little bit as the year goes by. So this means you need to be a little bit better at the beginning compared to Q3 and Q4. And relative to this, we feel we are pretty much almost exactly on track on the reinsurance side. On the Corporate Solutions side, we have this quarter a little bit more than expected large man-made loss activity. In a normal quarter, we expect something to happen of the order of $60 million in terms of large man-made losses. Greater than $10 million, that's how we define them on the Corporate Solutions side.

What we actually experienced was $91 million as per Page 24 of the slide deck. This translates into 3.5% combined ratio points. If you subtract this from that 96.8%, we end up again at the number at around 93%, 93.5% in that region. And again, this number is exactly where we expect it to be, given the plan to come up with a combined ratio of 95% for the full year, so absolutely no concern from my side.

Operator

The next question comes Andy Broadfield from Barclays.

Andrew Broadfield
Barclays PLC, Research Division

Three questions, please. One, the U.S. casualty, you made an interesting comment about your expertise helping you get the business in terms with helping your clients, I guess, underwrite their business. I was wondering, can you explain whether this is -- issue is going into casualty lines in a way they haven't done before? So are you helping them move into new territory or whether it's just simply defining an established business already in that business space? The second question, it's related to one actually, on the SST. Do you -- can you remind me whether you include the dividends proposed at the year end or whether that -- we didn't have to take that out to look at it and ask now? And also, what the forward -- the corresponding benefit would've been to capital ratios from the equity sell-down as well?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. I will take the first question, and David Cole will take the second question. With respect to the services we provided, it very much depends. And they are different market, markets by market. The U.S., especially the U.S. casualty market, is an extremely mature market. And quite frankly, there, they are not really heavily engaged in identifying new segments or new product developments. It is more we are offering ourselves as a strategic discussion partner. We also have our casualty modeling tool, which allows to analyze portfolios and do exposure-based analysis. And this tool, actually, we are -- we have started using it also in the U.S., but not only in the U.S., in order to provide services to our casualty client. Sometimes, the services are directly related to the business we write. Sometimes the services are of importance to the client, and the client basically rewards us by taking a share of a [indiscernible] quota share or of a general liability quota share, even if the services are not directly related to [indiscernible] liability.

Andrew Broadfield
Barclays PLC, Research Division

So this is not -- it is not start helping the companies establish new businesses. This is established businesses, just helping them define what they already do.

Matthias Weber
Former Group Chief Underwriting Officer

So what you just said is completely correct, yes. That's right.

David A. Cole
Group Chief Financial Officer

So, Andy, this is David. Let me take your second question, which is probably quite interesting to others as well, very straightforward answer in fact. So we do the SST twice a year. Each time, it's on a 12-month forward-looking basis. So the SST number that we published today, 241% for the group, 232% for SRZ is as of the 31st of December on a forward-looking basis for 12 months. And therefore, it also includes planned dividends. So it includes the $3.1 dividends that we have meanwhile paid during the course of this year.

Andrew Broadfield
Barclays PLC, Research Division

Great. And the impact on the equity sell-down, are you able to sort of give a broad feel for what that might be equivalent to?

David A. Cole
Group Chief Financial Officer

I'm sorry, do you mind repeating question? I didn't hear the full question.

Andrew Broadfield
Barclays PLC, Research Division

Sorry, the sell-down of the equities in the third quarter.

David A. Cole
Group Chief Financial Officer

Okay. No, that would not have been included. So that's not included yet.

Andrew Broadfield
Barclays PLC, Research Division

And any sense on the impact that would have roughly?

David A. Cole
Group Chief Financial Officer

Yes. I -- in the overall scheme of things, I don't think it's going to be a material impact. So it will certainly be less than $1 billion on overall figure. So I don't think it's a material impact.

Operator

The next question comes from Thomas Seidl from Sanford Bernstein.

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

Thanks for another bit of questions there, both relating to more recent claims experience. So the U.S. insurance basically reported about higher claims rates with coming from the shift of the polar vortex. And then how was your experiences with that? Are these claims reports already sent to Q3, or should we expect the impact of this to come in, in a later quarter? And then on the life side, some of the -- your larger peers on the U.S. side reported higher U.S. mortality, morbidity. Is it also something you basically see more recently?

Matthias Weber
Former Group Chief Underwriting Officer

So I must admit, I did not understand acoustically the first question, so I would like to answer the second question. And maybe if you could repeat the first question, that would be helpful. With respect to mortality and morbidity, in the U.S. on the life side, we did not see a deterioration and no negative deviation relative to our assumptions, so absolutely not. Could you please repeat the first question?

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

Sure. As ever, it's simply a lot of weather losses on the -- in North America, as Eric said, due to the shift of the polar vortex. And I wonder given the low underlying loss ratio, if we had already seen claims reports from the clients, or is it to come in later quarters as your clients report these weather losses to you, given your sizable U.S. exposure?

Matthias Weber
Former Group Chief Underwriting Officer

Yes. So typically -- so thank you, now I did understand it acoustically. So in the U.S., typically, the first 2 quarter, quite frankly, especially the second quarter, are heavily exposed to non-hurricane weather losses in the first quarter, snow and then moving over to hail, tornado. You are probably aware of a relatively severe outbreak of tornadoes a couple of weeks ago. Typically, these losses don't hit the capital treaties because they stay within the retentions. It is possible that we will be copied. And there, something under a proportional treaty, it's actually likely, that this happens. But at this point in time, there is actually nothing unusual to be expected there. We had these type of activities also the year before and the years before, and this is just typical for the first 2 quarters of the year.

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

So no higher level of, let's say, frozen pipes and stuff like this like the U.S. insurance reported the other day?

Matthias Weber
Former Group Chief Underwriting Officer

It'll have some losses. But in the grand scheme, it's -- I think they will be in the expectation. Nothing unusual there.

Operator

The last question for today comes from Jason Kalamboussis from Societe Generale.

Jason Kalamboussis
Societe Generale Cross Asset Research

A quick one. Just coming back to the question on the excess capital in the P&C Reinsurance. I think it was in the presentation, the full year presentation, where I think you also said that there is about $1.5 billion left in the U.S., but there are regulatory issues that make the functionality difficult. So some may be released at certain point or be optimized. Am I to understand that this is still the case, i.e., this has -- there is no part of it that was part of the $3.1 billion that we saw in the Q2 coming through? And the second thing is just -- do you have somewhere the reinsurance income breakdown table that we used to have? I didn't see it in the presentation, but maybe somewhere else.

David A. Cole
Group Chief Financial Officer

Okay. I'm not exactly certain about the second question, so I may come back to make sure I understand exactly. As to the first question, indeed, I recall George's earlier comments. So we did have some excess capital sitting in one of our U.S. carriers under P&C Re. Part of that capital, we were -- after a pool of the local authorities regulators we took out during the course of 2013. Part of it, we actually -- we anticipated taking out during the course of this year. So that part that was taken out last year would actually be -- indeed, be a part of the $3.1 billion. And we just have ongoing process around the globe that -- with all of our business units are looking at the appropriate level of capitalization. And where we find situations where there's excess above and beyond, not only regulatory requirements, but the level of capital we think is appropriate, given the nature of the business and what our clients would expect us to hold as a reinsurer, we'll look for opportunities to take that out. So that process took place in 2013 for our U.S. P&C Re carriers and will take place this year as well. The second question, I have to say I'm not 100% certain. Perhaps you can look at Slide 25 where we show -- have a breakdown by the main P&C business line.

Jason Kalamboussis
Societe Generale Cross Asset Research

No, it was on life reinsurance. Sorry.

Michel M. Liès
Former Group Chief Executive Officer

Life reinsurance. Let me say a little something about life reinsurance. I think Matt Weber just indicated that in terms of our experience in Q1, if anything, it was at, if not maybe here and there, a little bit above, i.e., more positive than our expectations. As I mentioned earlier to another question, we're in a number of discussions with a number of our important clients related to part of our business. As part of the discussions that we're having around Berkshire Hathaway recapture, last year we gave a little bit more insight into underlying product lines on a quarter-by-quarter basis. What we'd like to do now with Life & Health is basically bring you back in line with the way that we report on other current clients across the group. So we're going to be a little bit more restrictive with the quarterly information, also considering our commercial interests.

Eric Schuh
Former Head of Investor Relations

All right. It seems that we have no more questions in -- on the call. So I guess that concludes the Q&A session. Please feel free to give the Investor Relations team a call at any time.

Just as a comment on the next event. We have an Investors Day on the 3rd of July. So that's in less than 2 months' time from now. It will take place in London, and we're going to hold it back to -- on back-to-back days with Allianz in the same location in the city of London. Final agenda and logistics will be sent out to you soon.

That concludes the meeting. Thank you very much, everybody, for your participation, and goodbye.

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