S&P Capital IQ

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Swiss Re Ltd SWX:SREN

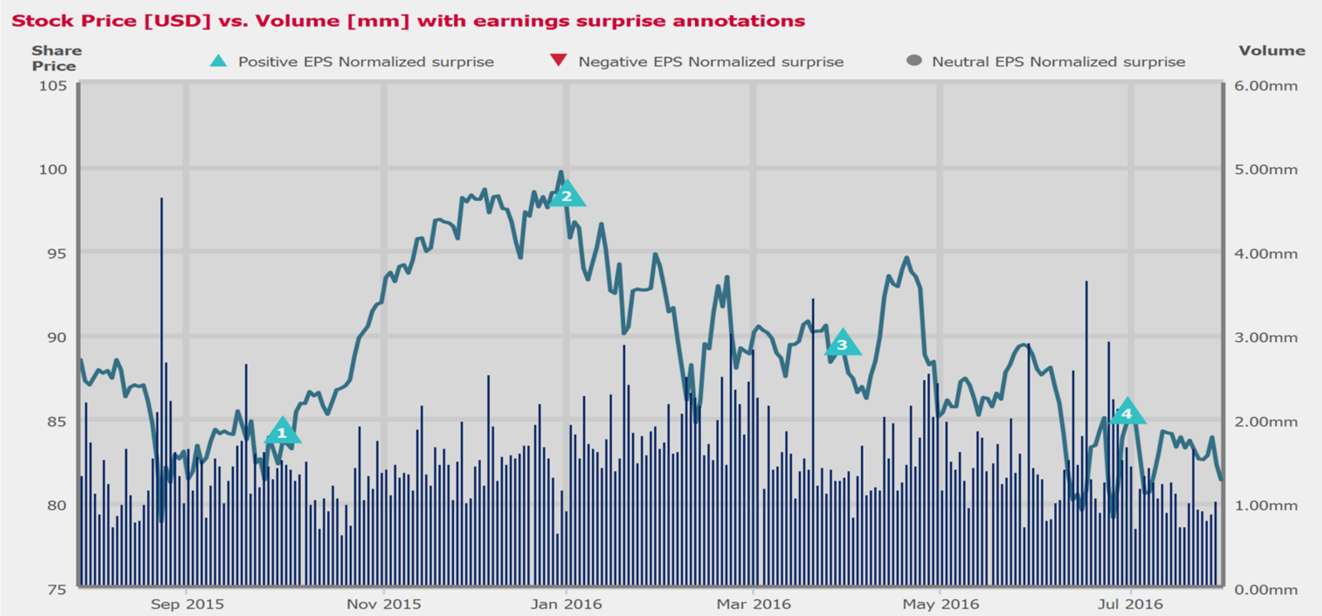
FQ3 2016 Earnings Call Transcripts

Thursday, November 03, 2016 1:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2016-			-FQ4 2016-	-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.78	3.23	▲16.19	1.79	10.10	8.98
Revenue (mm)	8381.59	8444.00	▲0.74	8296.97	33963.43	34957.31

Currency: USD
Consensus as of Nov-03-2016 12:27 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2015	2.14	3.73	▲1 74.30 %
FQ4 2015	2.44	2.52	▲2 3.28 %
FQ1 2016	2.66	3.48	▲3 30.83 %
FQ2 2016	1.74	1.77	▲4 1.72 %

Call Participants

EXECUTIVES

David A. Cole
Group Chief Financial Officer

Guido Fürer
Group Chief Investment Officer

Matthias Weber
Former Group Chief Underwriting Officer

Philippe Brahin

ANALYSTS

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Vinit Malhotra
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Keefe, Bruyette & Woods Limited, Research Division

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Morgan Stanley, Research Division

Presentation

Operator

Good morning, or good afternoon. Welcome to Swiss Re's Third Quarter 2016 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 David Cole, group's CFO. Please go ahead

David A. Cole
Group Chief Financial Officer

Good afternoon, everyone, and welcome to our Q3 2016 results conference call. I'm here today with Matt Weber, our Group Chief Underwriting Officer; and Guido Fürer, our Group Chief Investment Officer; along with Philippe Brahin, our Head of Investor Relations.

Let me just start with a brief overview of the results that we published this morning. As you're seeing, Q3 was a strong quarter Swiss Re with positive contributions from all of our business units. Group net income was $1.2 billion for the quarter, bringing us to a total net income for the first 9 months of $3 billion. Both the Q3 ROE as well as the ROE for the first 9 months demonstrate that we maintain the quality of our underwriting and investment portfolios in a challenging market.

During Q3, Reinsurance delivered $896 million in net income, underpinned by the solid underwriting performance of our P&C and Life & Health business. Corporate Solutions reported an ROE of 16.5% for the quarter, and Life Capital delivered strong gross cash generation of $248 million. The group ROI for the quarter was a strong 3.5%.

We also announced this morning that we'll launch the share buyback program as authorized by the 2016 shareholders' meeting. We'll launch it tomorrow, the 4th of November, as we've already received all the necessary approvals to allow us to do so.

Finally, we underlined in our presentation the continued external recognition of our engagement in sustainability, and Swiss Re was again named industry leader in the Dow Jones Sustainability Indices as well as other indices.

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

Philippe Brahin
Good evening David, and good day to all of you also from my side. [Operator Instructions] So with that operator, could we please have the first question?

Question and Answer

Operator

[Operator Instructions] The first question comes from Thomas Seidl, Bernstein.

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

First question is actually on your target. David, you have mentioned the ROE target is 700 bps [indiscernible], so roughly 8.5% and 10% economic net worth growth. Now at 9 months, you have 11.6%, if you normalize just the P&C Re segment. So you overrun to the tune of $800 million and then realized gains, the highest in 2011, a few hundred million of overall [indiscernible], I would say. So on an underlying basis, will you say you are pretty close to the 8.5% of level right now? And if so, what makes you confident that with the continued price pressure, you can meet this target over the next 1, 2 years? That's my first question. And the second then regarding the 2 P&C segments. In both segments, the underlying loss ratio increased significantly. I think in the P&C Re, it's up 5, 6 percentage points, and in the CorSo segment, 8 percentage point, roughly speaking. So what really drives -- and again, what makes you confident that you come back to the previous levels here?

David A. Cole
Group Chief Financial Officer

All right. Thank you, Thomas. I'll pick up the first question, and I'll ask Matt to respond to your second. So indeed, you're -- you've seen our numbers through the first 9 months. Our ROE target is U.S. [indiscernible] administrative [ph] plus 700 basis points. Of course, those targets are through-the-cycle targets. They're not targets that we expect to meet every business segment every quarter, but they're through-the-cycle targets. I think it's certainly very fair to say that starting off from 2016, we're certainly on track. We do various types of normalizations, which I can understand that each of you have your own way to do it. It's exactly one of the benefits of having these through-the-cycle targets because a lot of that bring [ph] down adjusting, I think, falls away once you look over a little bit of a longer period of time, which we believe is absolutely the best way to do it. In terms of your question about are we confident about the next 1 or 2 years, I would say that we are confident in the context of that we're well positioned. I think we still see good opportunities to provide meaningful value to our clients, and therefore, also extract meaningful value for our shareholders. It's a tough market. These are challenging targets, some would say, from time to time ambitious, given market circumstances. I do think we benefit from a very strong market position, we benefit from a diversified business mix. And so yes, they remain our targets. And I hope to be reporting to you on those, of course, over the next several quarters and the next several years, and we'll see how we get along. So with that, let me turn it over to Matt for the questions regarding the P&C business.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. Good afternoon. I wish I could give a very short answer. Unfortunately, it's a little bit longer than just one bullet point. So generally, across both business units, we have seen, of course, market softening relative to the year before. And as a result of this market softening, the loss ratios have increased a little bit in all lines of businesses. In addition to that, we reduced peak nat cat. Given that under EVM, the economic profitability for a portion of our book was just not given any more -- have [ph] we renewed it as it was up for renewal. So we have to reduce, so we decided to reduce some peak nat cap exposure, which on average across our book further increased our loss ratios. Then on the Reinsurance side, we encountered this year an unusually high amount of agricultural losses, most of it coming from France, a little bit also coming from China. And I would say, these 3 reasons are the key reasons why our underlying loss ratio corrected for the prior year's development -- or adjusted for prior year development and adjusted for nat cat were higher than a year before. Please note that when we adjust for nat cat, we do not consider agriculture losses as nat cat losses, so an increase or a decrease from that [indiscernible] comes after the adjustment.

Operator

The next question is from Xinmei Wang, Morgan Stanley.

Xinmei Wang
Morgan Stanley, Research Division

So my first question is just a follow-up on the previous one. Could you talk about how you think about the full year guidance for both the segments, please? I think you still kept the 99% for P&C Re. So that implies a sub-100 underlying in 4Q? Could you just -- if you could extend the reasoning behind that? And also just similarly for wholesale as well, I think you're saying that that's not going to be met anymore. So what kind of number should we be thinking about there? And then my second question is on the reserve releases. I understand they've been really positive across the board, offset with some charges in Asia. What is the driver of these re-leases, given the best estimate of [indiscernible]? Is it again a factor of low inflation relative to expectation? Or is it something else?

David A. Cole
Group Chief Financial Officer

Matt, right over to you.

Matthias Weber
Former Group Chief Underwriting Officer

Okay, good. So the first question related to the expected loss ratio, or the expected combined ratio. It's not the guided. It's an expectation. Be reminded that the beginning of the year, and that's every year, the year before, we made the decision to not update these expectation as we go through the quarters. And on the Reinsurance side, on a year-to-date basis, we stand at the combined ratio of 100.4%, so slightly above the 100%, little bit the tax higher than we thought it would be. Looking at everything, we think there is a decent chance that at the end we end up with combined ratio below 100%, of course, there is no certainty that this is going to happen, but a decent chance. On the Corporate Solutions side, we stand, on a year-to-date basis, at 103.7%. The reasons are the following. Our expense ratio is higher given the fact that we didn't increase our premium writings as much as we planned to do. This in response to an accelerated market softening, a little bit higher than the what we thought it would happen. Secondly, also on the Corporate Solutions side, we reduced property business, that is nat cat expose, again, given the fact that it did not meet our economic hurdles under EVM. We also reduced a little bit on the surety side and on the tight credit side. And this combined with we are experiencing the path, not a huge amount, but the path more market softening than we thought what would happen, make us believe that it will be highly unlikely for us to meet the 101%, which we expected at the beginning of the year. With respect to the reserve releases, on a global basis, given that we do not have a single large bucket where we experienced a huge amount of reserve releases, it spreads pretty much all over the world, most of it in the Americas and in Europe, in Asia. Some of the releases we have seen were offset by an increase of the New Zealand earthquake losses from 2010 and 2011. But given the fact that we are seeing these release pretty much across the whole globe and across all main line of business, and even if we drill down, in most segments, we conclude that it's just a result of the inflation, which continues to be very low.

Operator

Your next question is from Kamran Hossain from RBC.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

I've got 2 questions. The first one is just about where -- there were some reports in the press about potentially yourselves and a large U.S.-based reinsurer taking on some legacy deals. Could you talk a little bit about if you are thinking about things like this? And the other thing, what the rationale of taking them on would be? So that's question one. The second question is just about inflation. And then, I guess, on the U.K., it's something that we're worrying a little bit about here. We really have -- Matt, if you could give some comments just about how well you're positioned, especially given your U.K. exposure to any kind of sudden spike in inflation there, that's going to be really helpful for those [indiscernible].

David A. Cole
Group Chief Financial Officer

Okay, thank you very much. Well, let me first just respond to the rumors that you were referring to. We can't allow ourselves to get into a position to respond various things and maybe reported from time to time regarding various matters. So we'll stick to that policy on this one as well and we won't be responding to market rumors. So I hope you'll appreciate that, Kamran. I'll turn it over to Matt for the second.

Matthias Weber
Former Group Chief Underwriting Officer

Look, on the inflation side, sometimes people ask me what keeps you up at night. And to be perfectly honest, I sleep very well. But if I didn't sleep very well, it probably would be because I was thinking about inflation and the possibility that the decreasing inflation over the past actually could turn around. So we are observing this very, very carefully. And of course, we are not just observing it, we are taking it into account in the pricing and in the costing, and in the reserving as well. On the costing side, we are taking account by loss severity trend factors. And we actually entertain significant amount of RNP, trying to forecast the loss severities, which then I will underwrite this or using before a piece [ph] of business is spend.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

So would you say now, if I was a U.K. motion [ph] share, I might be looking at paying a little bit more for my reinsurance next year? Would that be a sensible assumption or not?

Matthias Weber
Former Group Chief Underwriting Officer

Look, that would be a forward-looking statement, which I will hesitant to make at this point. But trying to take into account inflation, this core element of underwriting and costing, which is a core competency of every reinsurance and insurance company, but especially also of Swiss Re. So we are taking this very carefully.

Operator

The next question is from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Autonomous Research LLP

I was intrigued with the comment you made that part of the reason the underlying combined ratio was higher in the quarter was, if you looked your motor books U.S. and the U.K. Maybe if you could just give a bit more color on what is it have you identified there. Is this the kind of severity issues we're seeing, particularly in U.S. personal lines, primary writers, or what is it? And presumably, the implication from the comment is the slide is that this a catch-up on your calendar year or your current year loss specs on the auto books. Just clarifying the detail there would be useful. Second question, on the Life business, we've seen some primary life writers in Australia. There is some catch-up on disability income, lump-sum payments reserving. How do you feel currently about your reserve situation the Australian life market, given that the claims environment, they're still pretty tough?

Matthias Weber
Former Group Chief Underwriting Officer

Thank you, Andrew. I think I'll move to next, okay. So motor U.K. and U.S., mostly, U.S., actually that is a statement where today we know that 9 months ago, when we wrote this business, we were a little bit too optimistic in our assumptions. Please know that whenever we try to total that make [ph] pitch with respect to our strengths, it's an estimate, and sometimes you are too pessimistic, sometimes you are too optimistic. So here we were too optimistic with respect to both the severity and the frequency. In our case -- it might not true for everybody else, but in our case, it is driven by commercial motor, and within commercial motor, it's driven by trucking business. In our opinion, the 2 most important reasons are after -- the first reason, after the financial crisis, a number of drivers were let go. And a few years later, when the economy picked slightly up, drivers were rehired by companies, including also in the construction sector. But not the drivers that initially were let go. We already hired younger, more inexperienced drivers were rehired, and that has led to an increase in loss frequency, which in addition to that is intensified by an increasing amount of distracted driving. Fortunately, it is fantastic, but it does not help with the accidents frequency. In addition to that, over time, we are seeing a trend towards heavier trucks with heavier loads, which also means if something happens, and the impact severity is slightly higher.

Andrew James Ritchie
Autonomous Research LLP

And this was a catch-up for your -- the whole years of lost credits, wasn't it, and based on the quarter?

Matthias Weber
Former Group Chief Underwriting Officer

You see, what we did is an adjustment to the a priori loss ratio, which matters for the development to come.

Andrew James Ritchie
Autonomous Research LLP

Okay. And could you share you're doing in the U.S. commercial auto, or is it in an excess loss store?

Matthias Weber
Former Group Chief Underwriting Officer

We write both proportional business and nonproportional of business. And if you get the inflation wrong, the impact is bigger on the nonproportional side because excess inflation is bigger than -- on the line of inflation.

David A. Cole
Group Chief Financial Officer

Okay. Thanks, Matt. Thanks, Andrew. The second question regarding Australia guess I'll take. I guess, a number of you will remember, a couple of years ago -- I think it was 2013, we experienced some issues with parts of our Australia business, which led us to really do a deep kind of review and make sure that we had the right structures in place and measures in place, communication with clients and what not, to allow us to really stay on top of that business. And in the meantime, we have seen that business has responded in a good way, positive way, and we feel very comfortable with it. The issues that you were just referring to, I'm not aware of. They're not issues that have hit us in a way that it would be brought to my attention, Andrew. So little bit of an answer. I'm not aware of anything that would allow me to give you a financial to indicate that we picked up those types of trends that you were referring to.

Operator

Our next question is from Vinit Malhotra from Mediobanca.

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

So one question is on the this whole concept of the tailor-made, which has being driving growth for several, probably, years now. And thanks to the sigma team especially, we got a chance to see a bit more about what are these tailor-made transactions. Could you comment a little bit about where exactly in the 3 or 4 types of transactions are mixed-risks or capital or strategy? Could you comment where this growth typically comes from? Is it all spread out? Or I would also say that definition is quite broad-based. If it's pivotal, it's been like this, so just a bit of comment on where the tailor-made comes from. And second question is, there is a speaker note comment around an upcoming FINMA model change that is likely to boost solvency. Could you give us a sense of magnitude here, please? And how it would -- how it could potentially influence any future capital [ph] measures.

David A. Cole
Group Chief Financial Officer

Okay, thank you. I'll take a stab at both and then maybe ask Matt if he wants to add anything to the question regarding the tailor-made or bespoked transactions. So first, thanks for the feedback on Sigma, we'll pass that back to our team. [indiscernible] I think to help the market and including our clients to understand some of the opportunities available to them. You are actually correct. We started talking about tailor-made, large structured, bespoke transactions, already going back, I think, to perhaps as early as 2011-2012 on a consistent basis. That's because we recognized that there was a possibility for us to, in essence, provide more value to our clients by bringing together our research-based knowledge, our global reach and tying that in with our very intense client relationships at various levels with our clients. Now you said something along the lines, it's a little bit of a vague description -- tailor-made. That's correct. Tailor, large, bespoke, they basically reflect transactions that on the one hand, have a certain size and substance. And number two, are something different, if you will, in terms of the business mix, the nature of the relationship that we established with the client. It goes a little bit beyond the typical syndicated type of risk that you may see coming through the panels and or what we refer to them as slow business. It's actually around the globe. There's not an individual region. It's also our various lines of business. It's both Life & Health as well as P&C. These things are not coming from one individual client and one individual region. We have, as you know, very extensive contact with a very well diversified group of clients around the world. And we're in constant engagement with them, looking to help them not only solve issues they may have around volatility in their P&L, their capital, issues that they'd like to address, but also helping them grow their business. And these transitions are excellent tool that we applied to actually demonstrate our ability to differentiate. It's not just capacity that we're providing typically, 12 additional value-add products. We will leave it at that. I'm going to pick up the second and then I'll give up to Matt so he can actually supplement if he wants to. So the FINMA model, we wanted to flag that. It was out in the marketplace. FINMA has indicated they're contemplating some adjustments to the way in which SST ratio is calculated. In fact -- in essence, there's a mechanical adjustment, but the adjustment will make the ratio outcomes a little bit more comparable with the way that Solvency II is calculated. And so what we said is that, we do look at this as somewhat of a mechanical type of an adjustment. The likelihood -- but the rules are not finalized, but the likelihood based upon what we understand their intent is, is that we'll optically increase the ratio. But what we want to make sure everyone understands is that in and of itself that doesn't change the nature of our excess capital versus the 100% requirement. We may come back to that at our Investor Day in December. A little bit depending on how FINMA gets along in terms of finalizing rules -- we understand they really are going to take place. But I think the key message that we wanted to bring right now is this change may well take place. We see it as somewhat more of a mechanical change than anything else. The likelihood is the reported ratio will go up.

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

Okay. And if I can just follow up quickly, the target range could also change, presumably?

David A. Cole
Group Chief Financial Officer

Well, let's wait and see what FINMA actually finalizes in which we understand that then we'll talk about that. We'll update you all on our capital position, our SST ratio, in the first part of next year as we always do. And I would certainly anticipate that by that time, the rule will be finalized and we'll be able to talk about our risk tolerance range. Matt, anything you want to add on the tender [ph] transactions bespoked.

Matthias Weber
Former Group Chief Underwriting Officer

Yes. First, actually, I must say I was pleased to see that I am not the only one who gives long answers. You said pretty much everything I would have said. Let me just start at two additional thoughts. Typically, bespoke transactions are more a thing of mature markets than high-growth markets. And at least historically, this has been the case. And secondly, it's very hard. Given that they are bespoked and tired it's very hard to classify them, because the needs they try to address can be very diverse, ranging from capital relief to smoothing out earnings to accelerate earnings. So really different needs.

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

Can I just quickly take? If between complexity of risk and capital support if you had to distinguish, would you say most of the growth is the capital support side or most of the growth is complex risk side? Or both could be an answer to that one, maybe.

Matthias Weber
Former Group Chief Underwriting Officer

Look, it changes over time. It's just, if we route [ph] -- and you know, we did this in the past -- if we route [ph] a big motor quota share somewhere in Asia, that would not be appealed. That requires a lot of capital. It actually will require very little capital under EVM. But as soon as you make signal [ph], a little bit nat cat, the capital consumption increases very quickly. So there is no uniformity, and therefore, it's very hard to give you a sense.

David A. Cole
Group Chief Financial Officer

Now I just politely request people to restrict themselves to two questions. You can get back in the line if you want to. We want to make sure we give everyone a chance to asking their questions. So thank you for that. With that, may we go to the next question, please?

Operator

This question is from Olivia Brindle, Merrill Lynch.

Olivia Sylvia Brindle
BofA Merrill Lynch, Research Division

So first 2 questions. On the tailored transactions, there was a comment you made, I think, in the -- some of headlines from the media conference, which said that those tailored transactions would likely have an upward impact on your combined ratio. Just wondering if you could elaborate a little bit on that. I mean, given that is a mix of different lines of business, presumably, I would push it up to the extent that that its large casualty deals, but also where you do shorter tail and lower combined ratio, tailored transactions as well. So just wondering -- what how we understand that comment or whether you are saying that over those bills [ph] will have a higher combined ratio? And so just some color around that would be helpful. The second question around capital. And so I think historically, you've been very clear that you will return excess capital but maybe not as clear on exactly how you determine the level. So firstly, just wondering why you've decided to go with $1 billion today, and how you've come to that being the right number? And also, second part of the question. How are you thinking about the right level going forward? I mean, if I look at some of your comments on the outlook for the market, they seem reasonably [ph] cautious, how is that leading you to think about capital in terms of whether you might want to hold more or less?

David A. Cole
Group Chief Financial Officer

All right, Jackson [ph]. Look, I made the comment this morning you're referring to, but first I'll give Matt a chance to explain my comment, and if it really helps, I'll add to it and I'll come back, Olivia, to your second questions around capital.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. Look, 4 years ago, when we looked at the pipeline of large and tailored transactions, many of them included nat cat exposures. This portion of the pipeline right now we pretty much cannot write anymore because under EVM it's just not profitable anymore. So as a result of this, our large transactions, owned and trailered solutions on the P&C side are more weighted towards long-tail lines and that automatically increases the combined ratio.

David A. Cole
Group Chief Financial Officer

Okay. And then the second question about the capital level and why $1 billion? I'll give a short answer but then I'll give you a bit more context. The $1 billion was actually what we asked authorization for from the shareholders earlier this year, and under the Swiss rules, we actually need to have an authorization in order to give us the flexibility to launch such a program during the course of the year. But we've talked in the past about how we look at our capital management philosophy, prioritizations, and that really hasn't changed. So we start from the premise of maintaining superior financial position at all times. We'd certainly like to maintain the regular dividend and we'd like to grow it, where we've been successful in investing in the business. And we said we'll invest in the business if it meets 2 criteria: it's in line with our strategy, what we've communicated, and it meets our financial hurdles. And for large allocations of capital, of course, we make sure that the hurdles that we apply are sufficient to compensate for the allocation capital and the risk associated with the transaction. And then when we find ourselves with excess capital. Then we look for ways to give it back. And we said for a number of different reasons, having previously done the special dividend, the repatriation from tax-advantaged calendar, we would look for the repurchase program. There's one that gives flexibility. There's also -- we have some feedback from our shareholders, one that most shareholders have indicated they have a preference for. Now in terms of amount of capital we hold, it starts with this premise of maintaining superior financial condition. We've expressed that simplistically in the form of an SST ratio of 185%. We think that gives us a very strong position, the ability to absorb large losses and continue to be meaningful and active and engaged with our client, even after large losses would occur. Now we hold some buffer. The buffer is intended to provide a little bit of protection from the inherent volatility of our P&L. So we hold a dividend reserve. And we hold a buffer for what we think could be potential -- they're not earmarked -- potential investments that we may wish to make over the course of 12- to 24-month period. When we hold capital that's above that level, then we think about returning it to shareholders. This year, we asked for authorization for $1 billion. You made a comment about what may happen going forward in the market outlook. Certainly, we'll come back to that in February when we bring you our full year results and we speak to you about what we think you want to do on the dividend side. So let me just hold of a little with any comments about what we may say in February, but we'll come back to it. We won't forget.

Operator

The next question is from Guilhem Horvath from Exane BNP Paribas.

Guilhem Horvath
Exane BNP Paribas, Research Division

The first one is on the pipeline, which you mentioned. So can you give us a little bit of color of -- on how optimistic you are on this pipeline run by [indiscernible] 1 8 [ph]. And maybe also, the gross number for P&C Re, excluding the tailor-made deals? And the second is, going back to one-off profits both in P&C Re and CorSo, and if you can tell us what we should expect as a normal rate as a percentage of the common ratio for the coming quarters.

David A. Cole
Group Chief Financial Officer

Matt, over to you.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. The second -- the answer to the second question will be very short, but let me take the first question first. So the pipeline looks good. We are happy with it. However, we have to be aware that the hit [ph] part of pipeline has to look good because the hit probability is far away from 100%. With respect to the open market Reinsurance space. So the business that is shown to almost everybody -- often by a broker -- in that segment, since the beginning of this year, we have shrunk value approximately 4% relative to what was up for renewal. The answer to the second question is we reserve to the best of our knowledge. So my only advice, can we please assume no research about the coming quarters [ph].

Operator

The next question is from Will Hawkins, KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

The P&C running investment income was $210 million in third quarter, which is a pretty low number. Now I know that yields coming down on the rest of it. But I'm just wondering, is there anything funny going on that makes that an unusually lower number or should we be taking that as a guide for the future? And then secondly, for the 2 Life divisions, the increase in unrealized gains this year is dragging your return on equity by at least 2 percentage points. I know that this year's results are being flattered by realized gains. But you also seemed pretty confident in maintaining your range guidance that you gave about a year ago, in spite of the unrealized gain track. So what should we infer from that? I mean, is there something -- anything you can point to specific that's going better in Life & Health or Life Capital, or are you now expecting to be at the at the bottom end of the range rather than the top end of the range? Or is there anything else you could explain how you're maintaining that guidance, in spite of quite the drag from the unrealized gains?

David A. Cole
Group Chief Financial Officer

I'll ask Guido to respond to the first and I'll pick up the second question.

Guido Fürer
Group Chief Investment Officer

In this packed stuff, running yield and gain realization, I think, you have to put it in a broader context. If you look at it at gain realization, that it is part of the nature, particularly in a portfolio which has some portfolio [ph] activity. Similar as Matt has described on the insurance and Reinsurance side -- of course, if we look where we see some more value for the same capital potentially than shift. Based on that, you should always see some gain realization. If you look at now -- [indiscernible] and coming going back to your question on P&C side. Now you get the picture to be around 25%. This gain realization -- if they're doing compare the total investment income on the group level. Now if you look through that, you see, it's good competition. And just to give you one figure out of this 267 overall gain realization -- 90 comps from government bonds. The rest, basically 2/3 is either corporate equity alternatives or in the principal investment area. That's why it's a good composition. Now if you take that as an input, particularly if you look at equity or maybe corporate credit, retains accretion [ph] they saw rich market, in particular also on the corporate credit side, spread-wise. If you look at the beginning of the year, it's kind of the investment-grade, in the U.S., we're around 165 basis point just backed off spread above [ph] government and now we are around 130. And we believe these are good levels that take some of the profit -- and this exactly happened in P&C. Similar point also on the equity side, again, we reduced equity a bit in Q3 and the [indiscernible] led us to the conclusion that there's a better deployment for the capital. And you should expect, clearly, on a -- in a P&C portfolio, but you should also expect deserve [indiscernible] expanding corporate solutions, though it's much, much smaller. Now in the Life & Health and in the Life Capital area, it's much, much more kind of a buying portfolio. Now over there, you see some moves. Again, we have Guardian. Guardian is a major acquisition in the life capital piece, of course taking on new assets and having at the same time some Solvency II introduction in respect of maximum requirements. Again, has [ph] suggested to take some of the profit on government bond and basically lapping in attractive corporate credit spreads. That's why some gain realization, you should take as a natural kind of capture of economic opportunity. And even government bonds, even there, I think you should expect there's some true economic driver behind it. And Life Capital was a good example. When we acquired Guardian, we were long in spite of our economic position. That's why we took clearly the lowering of U.K. yield as another reason to basically make -- bring it closer to economically matched position. That's why gain realization per se is clearly driven by economic views and economic positioning, which we do. Now looking at the running yields on the P&C side, again, you see it's around 2% at the moment. And this fluctuates a bit between 2.1%, 2.2%. If you go back yesterday, it was slightly higher, 2.3% last year. Of course, if you have an active portfolio approach, it's very natural that you have accrete your integration of the lower yield environment compared to buy and hold. On the other hand, these are the portfolio which allow us to take economic position, I think, more opportunistically than in your Life & Health and Life Capital complex. But kind of the bottom line message is that running yield, that it's one indication where one important contribution is respect of future investment income. By far, it's not the only one. And that's why we can clearly add additional economic value through active positioning of portfolio, which will lead, hopefully, to some gain realization.

David A. Cole
Group Chief Financial Officer

Thank you, Guido. Actually, part of your answer to the first question already segues into William's second question on the Life Capital spend. We did have, of course, an extraordinary level of some gains in the first half as we were positioning the portfolio we've acquired through Swiss Re's governance and Swiss Re's approach to capital regimes. But William, your comment is spot on. Obviously, with very low levels of interest rates that has inflated the equity element of this ratio, it becomes increasingly challenging for us to hit that 10% to 12% range. Still, we remain committed to it. It's not easy, it's intended to be ambitious, in fact. Since we announced that several years ago, I think we've been successful notwithstanding inherent volatility in the comps. It's not going to be possible for us, going forward, to hit that range every single time. But if you look at this business for what it is, it's a long-duration business. We think we have a very strong portfolio. We took a number of measures several years ago to address it, we continue to write what we believe to be very attractive business. I think that we're in a good position to be able to deliver a good steady stream of income. The actual position in the range, maybe on the upper side, maybe on the lower side, from time to time, depending on what happens with the equity as a component. But we remain convinced that the business that we have on our books is a good solid business and that we continue to have opportunities to write good new business.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

Okay. But there's nothing sort of specific top down you've referred to. So in non-Life, for example, you could say inflation's been great, that helps with our combined ratio. While I'm looking at the Life businesses, I can say higher unrealized gain hurts your ROE, but your outlook is still staying confident. There's no sort of single big picture as you should -- you'd point to that's helping your returns there?

David A. Cole
Group Chief Financial Officer

I think it's diversified book. The fact that we have taken measures to make sure that we respond to portfolios that are underperforming. When we set the range, of course, we already factored in -- I won't say we're exactly right on interest rates -- when we factored in, that it could move it up or down, depending on what would happen. As Guido just indicated, I mean, at this point in economic world and financial markets, you almost can't touch the portfolio for even normal stuff without realizing some sort of gain here and there. But we're not accelerating gains for financial reporting purposes. But we have a high quality portfolio, both from the liability side as well as on the asset side. So while we accept that there may be some volatility in that range, we've been outside of that range. We've had several quarters when we were actually well above the 12%. We think if you look at this business over a longer period of time, we were going to be in a good position to achieve that. It won't be easy but that's what we will strive to do.

Operator

The next question is from Jim Shuck, UBS.

James Austin Shuck
UBS Investment Bank, Research Division

Two questions for me please. Just wanted to return to the capital position and your view of it. I've listened to you, you keep using the word kind of flexibility. And I'm intrigued why you need so much flexibility, if you like. Because the $1 billion buyback itself, as you're already alluded to, gives you flexibility to seize that if you do get a large loss. And your capital position, both on S&P and on SST, it gives you buffers on top of the buffer. So I'm struggling to see why you need to introduce an element of uncertainty over this buyback that you're announcing now. I think, historically, you kind of said well, we want to see how a hurricane season works through. But I think the reality is that your peak parallels are much even -- it's much more evenly spread throughout the world. So if you could just shed a bit of light from that. I suppose a linked question might be -- I mean, if Hurricane Matthew had made landfall at a $20 billion loss, would that have actually scuffled the buyback at the stage? That's my first question. Secondly, in the more general kind of conceptual point, I mean, over the past, I suppose, 1 to 2 years, you've been growing in Casualty more than others. And it seems like a kind of a counter, kind of, cyclical approach, if you like. If we look at the results coming through in Casualty, those results don't look great. The combined ratio is consistently above 100, and in Q3, you did 102.6. What do you make of that strategy now to have grown in Casualty? Was it the right decision in hindsight? And what's the outlook in that segment, please?

David A. Cole
Group Chief Financial Officer

Okay. I'll pick up the first question and then I'll ask Matt to respond to the second. So flexibility. Actually, we believe that it's incredibly important to maintain flexibility while we want to always have a superior capital position. We also need to be agile and able to respond to opportunities that come our way, and these opportunities are not always easy to predict. Indeed, you correctly referred to the last couple of years, only last year that we actually started with the buyback program, and now this year, the second one. We said we want to wait a little bit into the year to see both how our capital develops, how our income develops as well as what opportunities we see to invest. Pace can change very quickly. I won't respond exactly to what would've happened had Matthew hit and had it been a certain level of loss but this is exactly that type of thing that we would like to be able to respond to. And if we get into a situation and we find ourselves in a situation where the market opportunities to deploy the capital are attractive, we want be able to do that. So our shareholders, I think, understand it. We have discussions with them about that. The idea of the share repurchase program is it gives us an opportunity if we come to the conclusion during the course of the year that the capital buffer that we've built up is really accessible. What we think we should hold, we can go ahead and start returning capital to the shareholders in advance of the full year results announcements and the full year dividend discussion. So I think the flexibility is one that we think is absolutely appropriate and it may even be essential in order to allow us to respond to these opportunities that can come our way. They can come from different sources, by the way. So we're looking for opportunities across all of our business units. It needs to make sense where we want to deploy capital, as I mentioned earlier, both strategic sense as well as financial sense. If we come to the conclusion that we hold more capital than we reasonably expect to be able to deploy, then we look to give it back.

And with that, I'll ask to Matt to respond to the second question.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. So with respect to Casualty, given the high combined ratio and high -- actually, it's not that high, it is above 100%. But given the fact that the combined ratio is above 100%, was it the right decision? I would like to give the following answer. Not this quarter, but in the past, we had some quarters where the combined ratio was high, given adverse development coming from asbestos. We would have had this adverse development with and without new business being written. Secondly, a good portion of the Casualty growth, not all, but a big portion of the casualty growth came along with growth from large transactions. And we just recently reviewed our total large transaction book and concluded we are very happy with how it has performed over the last 5 to 6 years. So boiling your question down to the so-called flow business, which is not a fantastic expression, I would describe it as follows: On the liability side, it was the right decision, we are happy with what we are seeing. Of course, not every individual do behaves the way we anticipated. Some behave better, actually, some a little bit less, but overall, we are happy. On the motor side, I admit we underestimated severity and frequency of losses. So looking at our book there, we are not entirely happy. On the work comp side, where our strategy is and has been for a very long time, to not write the high excess business but focus only on some proportional -- on some very few proportional treaties and operating in the primary side in the first 2 million. We are actually very happy with this decision.

Operator

The next question is from Frank Kopfinger, Deutsche Bank.

Frank Kopfinger
Deutsche Bank AG, Research Division

I have 2 questions. My first question is also on that P&C reinvestment income and it's going into the same direction as William's question on the $210 million investment income. I was also surprised to see that this low level despite the fact that you had some quite significant volume growth in the past, which would also have help to compensate the declining investment yield. However, we have noticed this low level of the $210 million and I would like to rephrase it again. Is the $210 million the right level that we should look going forward? And then my second question is on the buyback. Could you shed some light on your thinkings behind the timing now, because we have now a shorter time frame until the mid of February, and what were the drivers and your thoughts behind that?

David A. Cole
Group Chief Financial Officer

Excellent. I'll ask Matt to respond to the first question, and then I will come back on the second.

Matthias Weber
Former Group Chief Underwriting Officer

I'll pass to Guido. I'm sorry, Guido. He did not have a chance.

Guido Fürer
Group Chief Investment Officer

Again, so P&C value should expect most of active positioning. And that's why, if you look at the underlying portfolio, of course, it has the shortest duration compared to Life & Health. That means in respect to fixed income, yes, you see probably -- just based on the duration, you see a lower kind of current investment income. Now it's very -- actually, there's no way to give any forward guidance. Again, I mentioned this is an active book, and again, the composition equity, now -- as I mentioned before, we sold in Q3 is we have a massive sell off in equity market, maybe this will change our appetite in equity. Similar with corporate credit, again, we reduce corporate credits, we took profit based on the spread tightening. There is also economic profit-taking. And again, if a spread is developing a different direction, and they're extremely wide and we believe now that's a good point to go back. And we will see a different line in respect of current investment income. That's why, important is that you continue that part of the book. There, we can take, let's say, the best -- that's the best place to take economic position. You should expect more turnover in that book compared to the other one which I refer to which is Life Capital and Life & Health. That's why the composition of returns are different. In respect of guidance, again, there you see the biggest realized gain out of the reasons which I mentioned before, which, of course, has an impact on the underlying running yield. On the other hand, again, if things are changing and, let's say, if yields are going up. Of course, this offers enormous potential to not only deploy cash, which we are holding but again achieving higher net investment income line just based on yield. That's kind of my answer to your question.

David A. Cole
Group Chief Financial Officer

Thank you, Guido. Let me come back to the question regarding timing of the buyback. So I saw a few comments about that this morning, and I'm very happy to give some insights here. You may recall last year, we announced our intent to launch a program but it was subject to receiving various regulatory approvals. And then we received those approvals and we were able to launch a program, off the top of my head, somewhere around the middle of November, and then we concluded it at the very beginning of March. I think it was the 12th of December to 2nd of March. When we look at it this year, we said maybe we can actually try to achieve the following -- that we go ahead and start the program very quickly after announcing it. And in order to do that, we actually sought the requisite approvals in advance of it being formally agreed to by our board yesterday, it was subject to their agreement, of course. But we actually were able to go ahead and achieve those agreements in advance of announcing our Q3 results. And we have, I think, our full year results announcement for 2016. I think it's scheduled around the 22nd or 23rd of February. So actually, there's not a whole lot of difference here. We hope to conclude the program now by the 17th of February. So if you look at it, the actual number of days is actually just a few -- perhaps, a few days shorter than it was last year. We just want to be able to include the outcome, the final outcome whenever we announce our full year results. Just like last year, you can track where we're getting to with the program on a weekly basis on our website. And of course, the rules that also govern how active the purchase program can be in the marketplace. But there's no -- frankly, there's no additional thinking of guidance other than we saw an opportunity to launch it a little bit earlier than we did last year. And we'd like to try to close it by the time we actually announce our full year results. It's just that simple.

Operator

The next question is from In-Yong Hwang from Goldman Sachs.

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

I've got two. Firstly, on the last tailored transactions. You talked about the impact on the level of combined ratio going forward from the growth there. Well then, can you talk about, in terms of volatility of the combined ratio going forward? I would imagine some capital release thus should have a bit more stable profitability, say, does that mean that we should expect low volatility going forward? I guess related to that, some of the outside losses that we saw this quarter in terms of agriculture losses. Is that related to the loss transaction that was more from flow business? And the second question is around, just a quick comment on Corporate Solutions. You talked about the market situation there. Is there anything that you see currently that makes you a bit more positive about growth going forward?

David A. Cole
Group Chief Financial Officer

Okay. Just to be fair, should I ask Guido to answer?

Guido Fürer
Group Chief Investment Officer

That's right.

David A. Cole
Group Chief Financial Officer

Matt, how about you give it a try?

Matthias Weber
Former Group Chief Underwriting Officer

Okay. I'll try and Guido can clean up after me. So with respect to -- will we have more volatility given that we expect over time to continue to write more large and tailored transactions? Possibly, yes, but not necessarily. Because a portion of the volatility comes from nat cat. And right now, we are really not including nat cat in almost any of the large transactions we are writing. So in the short term, I would say we might even see less volatility. Of course, if you write more long tail-related large transactions, this means while you pick less shock risk potential, you expose the balance sheet to more change risk.

That comes without saying. The actual losses came to a very large extent to our regular agricultural flow business book. On the Corporate Solutions side, look, we are now in a soft market and we are not in a hard market. This does not mean that every piece of business is bad, of course, there are segments, where we are still writing and feel good about it. And of course, your question to be -- could be what are these segments? If you intended to ask the question, I'm not intending to answer it because that's a trade secret. But it's not all bad. But given the past years, it is absolutely necessary that now, we enter cycle management territory. We actually have started to do this already on the Corporate Solutions side. For instance, with respect to umbrella business, we shifted our book from high asset business to lower asset business. We have shifted our book already from large companies to medium-sized companies. Offshore, energy, we have massively reduced over the last several months. Aviation, we are very selective from large airlines. We are writing almost no space business these days because we just couldn't do it in a profitable way. I mentioned already on the property side, we have reduced our peak nat cat exposures, also on the CorSo side, but also on the insurance side. And in Corporate Solutions, we are very cautious in Brazil. We continue to do that and some industries such as, for instance, such as steel building [ph] [indiscernible]

Operator

The next question is from Stefan Schurmann, Bank Vontobel.

Stefan Schürmann
Bank Vontobel AG, Research Division

I guess, I just have one question on basically, the view on interest rates. I would be eager to see how you expect interest rates to move going forward. If you see any adjustment necessary, basically, in terms of ALM. Maybe also giving an update on the asset-liability mismatch at Q3 or to-date, if possible.

David A. Cole
Group Chief Financial Officer

I'm sorry, I didn't hear the very last part well, Stefan. Could you repeat the very last part?

Stefan Schürmann
Bank Vontobel AG, Research Division

Yes, sure. I mean, just on the ALM mismatch, if you could maybe update us if there was any change or if you see any need for a change going forward in terms of your view on interest rates.

David A. Cole
Group Chief Financial Officer

Okay, thank you. That's clear. Guido, you want to...

Guido Fürer
Group Chief Investment Officer

The view on the interest rate is we expect the lower full [indiscernible]. That means there's no pricing hope that yields will sharply go up. That's all of the base, how we cost the business on the Reinsurance and insurance side. That means, we always work with the current yield curve whatever the market is pricing. From that point of view, you can argue you are somehow neutral from a business point of view. Of course, for the overall industry, higher yield would help. And our forecast is clearly not enough to feed [ph] on, that's why also you saw we reduced some of the equity EBITDA on the corporate credit side. And we think -- believe now we see a lot of support in the market, I mean, from where it comes and this clearly cannot last forever. Now the mismatch question which you raised is pretty much neutral. We are neutral already in Q2. We kept that position, it's a very, very tiny short position. That means, from an overall point of view, which we grew is basically from, again, talking about the ALM, the economic point of view, not taking any major net interest rate position. You saw the huge unrealized gain position, which we have in the book, of course, this Q2, that the GAAP treatment of our assets, and that's why we have to make the distinction between ALM which is more economic description compared to the GAAP form. But again, yield-wise, we assume that the current yield assets will not disappear. That's why we try to position the portfolio in areas where we still believe we have a relative value. And again, relative value comes from the structure of our book. In which market, you can work -- again, if you only have the Swiss book, I think it could look very different compared to very global on which we have, which is dominated by U.S. dollar. Again, U.S. dollar compensates here for some of the risks. That's why overall, I think we can live. As you can see, the investment result are not completely immune. On the other hand, you see quite a sticky part in it, again, based on the fundamental loan book which we have.

Operator

The next question is on Vikram Gandhi, Societe Generale.

Vikram Gandhi
Societe Generale Cross Asset Research

The first one's on -- but can you update us on how the Chinese market has evolved post implementation of C-ROSS now that you are close to one full year under the new regime. Are you seeing a shift from the regular model to quote share to, let's say, cat business? And secondly, can you please explain how the Life Capital cash generation was so high during the quarter, despite the dip in the interest rates?

David A. Cole
Group Chief Financial Officer

Excellent. So Matt, you want to respond regarding China and I'll respond regarding Life Capital?

Matthias Weber
Former Group Chief Underwriting Officer

So in China, C-ROSS had exactly the expected effect. We saw, let me say, less incentives for clients to buy motors, more incentives to buy in nat cat. And we saw a little bit of shift and we expect this to continue.

David A. Cole
Group Chief Financial Officer

And regarding the gross cash generation in Life Capital, it is a combination of things. First and foremost, I think it really is -- the most important is the underlying business is performing well and certainly in line with our expectations. We have a number of offsetting elements. So we have a lower interest rate, slightly lower interest rates, of course, which tends to pull that down under the Solvency II regime that there -- our closed life business operates in the U.K. Offsetting that, we continue, I think, to be successful in finding synergies and delivering synergies and reducing our expense loads. There's also a number of other quasi one-off things that impact us in any given quarter. We also have, of course, as you see in Q3, the positive benefits of lower tax rate being enacted in the U.K. So a number of different elements contributed to the quarterly closed cash generation. I think, if you look at the first 9 months, you'll see that we're on track. And then we'll [indiscernible] there, between pluses and minuses, but the most important thing is that the underlying business is very much performing in line with our expectations.

Operator

The next question is from Michael Haid from Commerzbank.

Michael Hermann Haid
Commerzbank AG, Research Division

Coming back to the reserves from releases and inflation, I have a hard time believing that I should assume 0 run-off profits for you going forward. When you reserve new business, initially, you obviously take into account expected inflation. If later on, actual inflation terms are to be lower as you initially reserved for, you must have run-off profits. Your reserves are usually on your back book for several years, that's the nature of long tail business. That means that you probably must have more run-off profits to come as I have a hard time to believe that you are reserving what's based on the current low inflation levels. Did you release all reserves with that, that came from the low inflation environment which we currently have or what is the mistake in thinking that I make?

David A. Cole
Group Chief Financial Officer

Excellent. Thank you, Michael. Matt, you want to respond?

Matthias Weber
Former Group Chief Underwriting Officer

Look, the reserve -- the inflation and by the way, maybe it's important here to say that I use the term inflation in the context of our reserves. I mean, of course, lost relevant inflation. And since this affects mostly casualty wage inflation and even more importantly, medical inflation is what matters. So please don't think of inflation as CPI type of general inflation. The problem is right now, the inflation, also the medical inflation is very low. However, our reserves are here to pay for the losses and the lost development also in the future. And we have absolutely no guarantee that relevant inflation pieces, including wage inflation and medical inflation, are going to stay where they are right now. You heard concerns coming from the U.K. In the U.S. for instance, wages are going a little bit up. There is some uncertainty related to the future U.S. President and together with this uncertainty, there is also some uncertainty related to ACA, ObamaCare, and that could have an impact on inflation. So personally, I take the low inflation the way it is currently but I do not think it's going to stay there currently for always and ever.

David A. Cole
Group Chief Financial Officer

If I just may add to that. We have a very well established and consistent approach to reserving for all of our businesses and certainly, for the long-term businesses, extremely important. We position ourselves prudently within our best estimate range. We look at all of our business effectively every quarter around the globe. Time to time, we do deep dives. The effects that you were just referring to, we have seen this. The industry has seen as well over the course of the last several years. So time will tell, of course, how these reserves now evolve over time. But I think what's important is that we're not somehow hiding capital in the form of incremental buffers on reserves. We're not changing our reserving policy, just like we're not trying to accelerate gains on assets side. We're not trying to manage the utilization. Our best view of what the ultimate loss ratio, the ultimate loss levels are going to be on the exposures that we have. So it's very key here that we maintain consistency. We do position ourselves in a prudent basis within the best estimate range, and we report on that on an, obviously, a regular basis and once a year with a bit more detail.

Michael Hermann Haid
Commerzbank AG, Research Division

Is it fair to say that the reserve releases or the run-off profits, that they generally come from business which are closed to be settled or yes --- or settled?

David A. Cole
Group Chief Financial Officer

No, I think as Matt indicated earlier, it comes from a wide range of businesses across all the various geographies. So there's not a single vintage, if you will, if I understand your question correctly. It really is looking at our entire portfolio, across all lines of businesses, across all geographies. We've seen a fairly consistent -- if you look at it over course over the last handful years, consistent positive development amongst other regions, of course, no doubt, coming off the back of the inflation levels that were lower than what we have originally costed [ph] and we concerned [indiscernible] the costing, and maybe some other things that contributed to it as well.

Operator

The next question is a follow-up question from Olivia Brindle.

Olivia Sylvia Brindle
BofA Merrill Lynch, Research Division

Just on CorSo. I mean, you talked about some of the issues in that business at the moment. I'm just looking at the expense ratio, which was almost 39% in the quarter. And you referred to some, I guess, ongoing investments in that business. So I was just wondering where there was anything specific in that quarter that we can fully strip out and what is the expense ratio that we should be thinking about going forward? Obviously, 39% is a very, very high level. It doesn't feel like that's the number we should be extrapolating, but equally, it's probably a little bit higher than in the past. So just some color on the expense point will be helpful.

David A. Cole
Group Chief Financial Officer

Very much appreciate the follow-up question. So let me put it into the context. From time to time, I see comments about people looking at CorSo, and indeed, they want to look on a quarter-by-quarter basis and try to extrapolate that into the future based on a number of different factors, including things like combined ratio, normalized or not. While, I can understand that, I think it's important for everyone to realize that we see a business opportunity here that we have decided to invest in. And it's really a long-term investment program. Based on what we see, it could be a very long term attractive market. Of course, it has a relatively modest position, it's a growing position, and we're very pleased with the growth that we've shown over the last handful of years. But as a market, we believe that we can continue to experience profitable growth going forward. Now it would be silly for us to put on the gas, put on the brakes. Put on the gas, put on the brakes based on any individual quarter's results. Specific to your question, Olivia, I would estimate, it's probably 2% to 3%, something in that range. It's not going to be the same exactly ever quarter so. But our expense ratio was probably elevated beyond what we would see as where we would aim to achieve going forward as we are investing in this business. Now from time to time, our premium levels are up or down, depending on things like FX rate, and things like, is it a soft market, yes or no? All these things are relevant to us and we certainly don't ignore them. But we can't base our investment program on 1 quarter's results. I really encourage everyone to try to take step back from that when you're thinking about corporate solutions. Look at our results over the last couple of years. Look at the market opportunity, look at the capability that Swiss Re has and kind of go with us in understanding that investment case.

Operator

Your next question is a follow-up question from Guilhem Horvath from Exane.

Guilhem Horvath
Exane BNP Paribas, Research Division

It's also a question on cost. So I hope you will be able [indiscernible] the same. It's actually the credits and the combined ratio, which spiked this quarter compared to last year. It's actually quite -- what we see on the mono-line and I'll switch into normalized a little bit under loss they have in Latin America and Asia Pacific. So can you comment on this? What's your view and what's happening on credits in these regions and what is your outlook?

David A. Cole
Group Chief Financial Officer

Thank you for the question. Matt, you want to...

Matthias Weber
Former Group Chief Underwriting Officer

Can I ask quickly, what -- could you define for me mono-liner, please? Because there is more than one definition. That is possible.

Guilhem Horvath
Exane BNP Paribas, Research Division

Well, I would define a mono-liner, for instance, [indiscernible] these kinds of players, which have created uncertainty [ph], for instance, but not the broad range of business that you have.

Matthias Weber
Former Group Chief Underwriting Officer

Okay. Look, I cannot comment on what some of our clients are doing or experiencing. I can only comment on what we are doing and what we are experiencing. On the credit side, in Corporate Solutions, we have experienced an increase in loss activity recently. On the global basis, we have seen a higher frequency this past quarter of small and mid-sized losses. We did not see that in Q2 and we did not see that in Q1. However, we saw it in Q3, so at this point in time, we believe it's a quarterly blip in operation, but we are staying alert and continue to observe. In addition to that, as I mentioned already, we are taking a bit of capital off on the credit, and surety [ph] side in Corporate Solutions. In addition to that, we have seen in Asia a bank trade and infrastructure loss of the order of USD 10 million. Approximately, this is the type of losses, which sometimes happen in most [indiscernible] do not happen, but sometimes they do happen and they never stop [indiscernible] happen. On the Corporate Solutions side, it immediately has a 10-point combined ratio impact order of magnitude.

Operator

The next question is from James Schuck.

James Austin Shuck
UBS Investment Bank, Research Division

Just a quick follow-up for me, actually. I just like to know if the new Rhode Island legislation, potentially going to open up the market for close [ph] business in the U.S. I know you can't comment on particular deals but you could perhaps just comment about what your appetite is with dealing in that sort of market for the market to open up as it might do.

Matthias Weber
Former Group Chief Underwriting Officer

At this point, it's not yet fully established. Nobody has experience. So it's too early to talk about our appetite.

Philippe Brahin

Okay. Thank you, Matt. I think -- this is Philippe here and I think we've come to the end of our Q&A. So wanted to thank you all very much for joining. Also, a special thanks to Matt and Guido for joining us today. So don't hesitate to reach out to any member of the Investor Relations team if you have any follow-up questions on our Q3 results.

I also wanted to mention that we will host our Investor Day on 2nd of December in Rüschlikon here in Zurich. The agenda, the registration is available on our website. And we hope to see many of you all the way then as we present an update on our business priorities and strategy. So again, thank you very much for your participation today.

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