S&P Global
Market Intelligence

Swiss Re AG SWX:SREN

FY Nine Months 2021 Earnings Call Transcripts

Friday, October 29, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

** Error while rendering estimates data.

Table of Contents

Call Participants

EXECUTIVES

John Robert Dacey
Group Chief Financial Officer

Thierry Leger

Thomas Bohun
Head of Investor Relations

ANALYSTS

Andrew James Ritchie
Autonomous Research LLP

Iain Pearce
Crédit Suisse AG, Research Division

Thomas Fossard
HSBC, Research Division

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

William Fraser Hardcastle
UBS Investment Bank, Research Division

Presentation

Operator

Good morning or good afternoon. Welcome to the Swiss Re 9 Months 2021 Key Financial Data Conference Call. Please note, today's conference call is being recorded.

At this time, it's my pleasure to hand over to John Dacey, Group CFO. Please go ahead, sir.

John Robert Dacey
Group Chief Financial Officer

Thank you very much, and good morning or good afternoon also from me to everyone. I'm here with Thierry Leger, the Chief -- Group Chief Underwriting Officer; and Thomas Bohun, our Head of Investor Relations.

As usual, I'll start with a brief overview of the key figures for the first 9 months that we published this morning. We're pleased to report a profit of $1.3 billion for the first 9 months of 2021, despite the significant large loss events and the ongoing burden from COVID-19. Driven by our focus on portfolio quality and the disciplined underwriting, P&C Re and Corporate Solutions produced excellent results with a combined profit of $1.9 billion and reported combined ratios of 97.5% and 91.1%, respectively. P&C Re and Corporate Solutions delivered normalized combined ratios of 94% and 95.7%, respectively, and are both well on track to deliver on their ambitious combined ratio targets for 2021.

Supported by strong underlying margins, Life & Health Re achieved a profit for the second quarter in a row, in spite of the heavy burden of COVID-19 claims. The group's strong return on investment of 3% was driven largely by recurring income as well as equity valuation gains with no credit impairments for the entire year to date.

Swiss Re maintains a very strong capital position with group SST ratio of 234% as of the 1st of July. The 19 percentage point increase compared to the 2021 starting position of 215% was supported by first economic earnings of more than $3 billion. As we move towards the end of a busy year and into 2022, we have confidence that our businesses can continue their strong performance, and we see opportunities to deploy capital at attractive returns across the group.

And with that, I'll hand it back over to Thomas to introduce the Q&A session.

Thomas Bohun
Head of Investor Relations
Thank you, John, and hello to all of you from my side as well. [Operator Instructions] Operator, if we could start with the first question, please.

Question and Answer

Operator

The first question comes from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Autonomous Research LLP

There's quite a lot of debate around the viability of property cat business right now. I was interested in the comments you made. I think it was John in the media conference this morning where you were suggesting your property cat business is still running at less than 90% combined year-to-date. And I wasn't sure if you're trying to -- that you're trying to suggest it's now adequately priced and you're happy with that. Because, obviously, I think we'd expect it to run lower than that on a more normal year. But what were you trying to tell us?

Were you trying to say that this is a viable business, is adequately priced, we don't need to do a lot more work? Or what's your kind of thinking in terms of what additional rate or restructuring might be needed across property cat business at an industry level?

Second question, CorSo growth rate was quite a lot higher in Q3 than the first half. Is this -- are we sort of back in growth mode now? Or should we assume that Corso's now growing kind of in line with the renewal rate at least from this point?

Thierry Leger

Andrew, this is Thierry. I will take your first question on property cat and to John's reference, that we are below -- despite all the losses, still below 90% combined. I think that what we wanted to say with this is despite these very, very large losses and also being above our budget, that still doesn't mean that this business is, at this point in time, loss making.

So by making reference to below 90%, we simply said that the premium is still covering the losses. Regarding the underlying question on price advocacy of this business, we can oversee the dynamics that are around in the market. We have seen the strong growth in secondary perils. And it is very clear that some of the businesses, some of the layers, more in the frequency part, there has been a lot of pressure lately. Capacity is pulling back. And we are very clear since our Investor Day in November last year that we see particularly that space as not attractive on the price, not well structured and still desiring price increases. So we have a bit of a more differentiated approach, I guess.

John Robert Dacey
Group Chief Financial Officer

And Andrew, I might add, on that piece that the -- if we're taking on the tail risk of the industry, we expect to be compensated for it. And the fact that we're still profitable with the combined ratio of lower than 90% in what is a heavy, but not extraordinary year, I think shouldn't be a surprise to people.

We understand the risk that we're bringing on to our book. And as Thierry said, there's still important segments of this space, which do need further price increases. We've been surprised as an industry, frankly, in a couple of places again this year between the Texas storms in the winter and more closer to home here, the floods in July in Northern Europe. So I think we would expect prices to continue to adapt appropriately.

And when I say adopt, I can't think of a place where that would mean going down. But we also think that Swiss Re at least has got the modeling capability and the expertise to be able to make money in this business even when there's a heavy cat load. So that's the first question.

Your second on CorSo growth, it's a pretty straightforward answer, actually. We did this massive restructuring of the portfolio, getting rid of 1/3 of the risk in 2019, that's continued on. And finally, has sort of expired as a drag on growth for CorSo here in the second half of 2021. So as we go forward, the strong increase in written premiums will earn through. And I think not only should you see us grow with the price increases, which year-to-date have been 12%. But probably even beyond that, as we see some interesting opportunities for growing parts of the business as we go forward. So I'm not making specific predictions, but it shouldn't surprise people for us to be with CorSo in a double-digit growth mode in sort of the near quarters.

Operator

The next question comes from Vinit Malhotra from Mediobanca.

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

Congrats on the great result. I just had one question on the cash flow situation at the holding. If you could just provide an update, which as you did in the last year Investor Day of $4.2 billion, and if you could provide something similar to that effect or some number there. And also in the context of these 3Q cat losses and how would that affect the cash position at holding? That's the first question.

Second thing is that also notable for us is the normalized combined ratio of P&C Re, which is 94% at 9-month stage. Could you comment a bit about was there any COVID frequency benefits here, do you think? So in other words, if you have to think for next year, more pricing is being earned through, but also economic recovery. And how should we think about these 2 forces on this 94.0%?

John Robert Dacey
Group Chief Financial Officer

So Vinit, I'll address the first question, and Thierry will actually answer the second one. On the first question, we've not disclosed the similar holding company cash. What I can say is the liquidity of the firm is robust, up and down the legal entities that are relevant. And we are very comfortable with our cash position at the group level as well as subsidiary levels. So there's nothing to be concerned about there in spite of the losses that we are reserving that we're paying out here.

With respect to the P&C Re normalized combined ratio, Thierry, do you want to take that?

Thierry Leger

So Vinit, with regard to -- you were making reference to frequency benefits that we might -- once we normalize, actually have profited from unusual reduction in attritional frequency losses, which is not the case. We also generally on the manmade losses, this was not an easy year to the country. There were substantial losses actually going on in the industry.

You know that after COVID, the reopening of the industry happened. Lots of industries are running at limits, which is very typical for property. In those cases, you do find losses. So there was no such benefits that we could see.

John Robert Dacey
Group Chief Financial Officer

And clearly, during 2021, the only thing I would say is some of the property losses in 2020 for CorSo were probably a little below, and that's allowed us to make some adjustments to the reserve positions there. But on the P&C Re book, we don't think that there's any real benefit that's going to be a affirmable coming through and what we're reporting as a normalized for 2021..

Operator

Your next question comes from Bill Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

Two here. Just first one on the catastrophes, second one on solvency. I guess eyed on European floods, the losses have come in significantly lower than initial market expectations. Any color here would be helpful. I guess, do you think it was due to a change in gross underwriting or a change in retro protection? Anything here that we should think about the sustainable benefits that will help the book going forward as well.

Secondly, on solvency, also a positive print. I guess can you refresh how you view, let's say that 230% type SST level in terms of ability to support growth. But beyond that, I think what's the distributes? And what -- maybe what's the order of preference on to you've highlighted growth deployment, and then between excess shareholder returns and debt reduction beyond that?

Thierry Leger

Well I will take your first question. John, will take the second. On our improved underwriting results, I think, also, if you can go back to the Investor Day in November 2020, where we said what we would do. So we -- at the time, we're looking ahead, thinking that secondary perils, particularly those induced by climate change would continue to behave very rationally. And therefore, we said we would reduce our exposure to those levels.

We also -- at the time, you remember, we also said we see social inflation as a big threat and therefore, reduce our exposure to large corporate risks in the U.S. So we did both of that. That actually led to a different mix. So I would then refer to the changes we did much more on the structural side. And whilst we always do improve our retro program that those changes to the retro setting don't explain this improved performance.

John Robert Dacey
Group Chief Financial Officer

On the second question, well, with respect to the solvency. The 234% is a very solid number and obviously, puts us in a much more comfortable position than the 215% when we started the year. We've been very explicit, I think, in our priorities for the capitalization of the group. The first and foremost is to remain one of the best capitalized reinsurers in the world. I think we tick that box.

The second is to be sure that we're maintaining and, in some cases, be prepared to increase the dividends. We've been telling you all year long that, that dividend, we believe, is secure, and the economic earnings that you've seen in the first half of the year should reinforce that.

The third is to deploy our capital for new growth opportunities. And frankly, in all of our businesses, we see this opportunity in front of us here in the coming quarters. And so I -- with the prices that CorSo is achieving, with the demand that our Life & Health Re business has both for the support of product launches in the primary market, but also some structured transactions, which are being -- are in discussion. We think our Life & Health Re franchise can continue to grow. And the P&C market, which Thierry just alluded to, we expect some real price changes as a result of the losses that haven't been incurred here in 2021.

And in particular, what we thought was underpriced segments on higher frequency events on the aggregate covers on sort of poorly modeled perils should see better pricing and then those better pricings, we'll evaluate whether we're prepared to expand into some of these places where in 2020 and 2021 earlier, we didn't think we're adequately priced. So that are the first -- those are the first 3 legs.

The fourth leg is if after reviewing the ability to deploy, we really find ourselves with excess capital, then, yes, we don't need to sit on it. We're prepared to return it to shareholders. We've done that in the past, and we'll do that in the future if that's the right answer.

Operator

The next question comes from Iain Pearce from Crédit Suisse.

Iain Pearce
Crédit Suisse AG, Research Division

The first one was just on the profitability of the cat book. Obviously, the profitability for your book sounds very good, but I'm assuming the profitability for the industry won't be at that sort of level. So just hoping you could sort of expand on the differences in Swiss Re's cat book relative to the group. And is there anything in your exposures that's leading to you have a much more profitable book this year?

And then the second question is just on Idai and the proportional loss share. Is this sort of loss share now what we should be assuming for North Atlantic Hurricane and Swiss Re? It's just the size of the move in loss share is a bit more than what would be implied by the movement in the PMLs that we've seen this year. So I was wondering if you could touch on whether you think this is a more normal level now.

Thierry Leger

Iain, I'll start, and John will add to it. So on the profitability of the cat book. Indeed, we think that thanks to the changes we made to our cat book early in the year. We are actually -- we have been able to avoid losses. We have also said that we have avoided launch. So that's the degree, but it's an estimation because it's difficult to estimate losses to aggregates, of course. But that's what we think we have avoided. We think we are in a very strong position. John alluded to it. Also from a capital position, in a comfortable position. We think well -- a very well-distributed book of business in cat next year to actually grow our capital allocation to that business if the opportunities come our way. We are optimistic given current market dislocation in certain spaces that we watch very closely that this will be possible. So we enter 2022, I think, on the back of a very strong liability book in general. And are very confident, therefore, to be able to profit from the opportunities that will present themselves next year, by the way, across all our businesses.

John, if you want to add something to this one?

John Robert Dacey
Group Chief Financial Officer

Yes, maybe just the specific questions around Idai. Idai was a bit of an odd storm. It ran up, obviously, did a lot of damage near the coast of Louisiana. But managed to miss the major metropolitan areas. The damage both to New Orleans and Baton Rouge was surprisingly light. And then it has this tail in the Northeast. You won't be surprised to know that not only do we model hurricanes, but we actually model subsequent rain -- hurricane-induced rainfall that matters, especially in Japan with the typhoons, but it turns out that it matters in North America as well.

And so it wasn't surprising to our teams that you saw this kind of flooding that hit mostly personal lines and actually a surprising amount of motor damage as the flooding was not necessarily coastal, but rather in areas where homeowners or commercial lines floodings would not necessarily be in force. And so these losses typically are not reinsured. But if they are reinsured, we've, I think, prepared ourselves to be sure that we are at a higher attachment point where they didn't necessarily kick in, in any material way.

So your specific question, is this the rule of thumb for future North America wind storms? It's a little complicated. I'd say on this one in particular, the nature of the losses managed very well within our book. We did not have -- we had actually de minimis exposure to Louisiana specialists, which also had us avoid some of the damage that was done by wind in the state. So as we go forward, we're in a range. This was towards the lower end of the range that historically has been there. But at least with the current underwritings we have, I'd say, you should expect that we are a little better protected against some of these extra losses or add-ons than people might assume.

Operator

[Operator Instructions] the next question comes from Thomas Fossard from HSBC.

Thomas Fossard
HSBC, Research Division

One question regarding the 2022 outlook. Some companies have already laid out well into the mid-teen top line growth expectations on the P&C Re side. Would be interested -- I mean it seems to be that you're pretty -- reading your press release and listening to your comments, it seems to be that you're pretty optimistic for next year. So would be interesting to better understand what kind of growth rates, both in P&C Re and Life Re you're shooting for next year, if current market conditions were to prevail?

And the second question would be related to the Life & Health Reinsurance results. Actually, very strong print in Q3, partly supported by in-force transaction. But it seems to be that since Q1, actually the experience and the underlying profitability of the book has been running probably better than you were expecting. So I was wondering if you could update us on the [summer's] 10% to 12% return on equity based on $8 billion shareholders' equity. But I mean it seems to be that we are starting to edge slightly higher now. So any update on that would be interesting.

John Robert Dacey
Group Chief Financial Officer

Thanks, Thomas. I'll see what I can do here. With respect to the growth of P&C Re in 2022, I don't think we've got a prediction. We would expect for pricing to be rational. If pricing is rational, we'll see opportunities to write a bigger book of business and look forward to that opportunity. But we don't exclude the possibility that somehow it goes otherwise.

What we will say is there seems to be some pressure in the retro market, which, I guess, may constrain some of the people that rely on their balance sheet less than we do to be able to grow new business. So I think we'll see what that dynamic is. We are committed to be important and reliable partners to our primary insurance clients over, not just years but decades, and we'll continue at rational pricing to deliver the covers that they're looking for. We'll work with them for structures that work for both of us. And so if that provides the opportunity for strong growth, we'll take it. But we'll just have to see where January 1 and subsequent renewals actually land us.

On Life & Health Re, I'm probably a little more optimistic. I think we've been able to grow again 10% year-to-date, that book of business. Some of that's been flattered, I guess, by foreign exchange. But what we see there is a continued demand as a number of European and U.S. companies continue to restructure or adapt their own business models for us to be able to help them do that as well as real demand for protection products, which is our bread and butter around the world, emerging markets in particular.

So the skill set that we have, the expertise we have is being called upon by primary companies to help them develop a broader suite of products, which address mortality morbidity. So I'm probably a little firmer in the expectation of continued growth there. And you mentioned Life and Health profitability and the -- we acknowledge that the $899 million in 9 months is a higher earnings and a higher return on equity than we've guided the market to. Two observations: the first, which is a reiteration of what we were talking about at the midyear. The allocation of mortality losses between COVID and the underlying business remains a bit of an art compared to a science. We've reflected largely what our primary companies have allocated the losses to with respect to COVID, but that might be understating some of the mortality experience of the broader portfolio.

So I think the precision there of what's COVID and what's not COVID, at least on the margin is an area which may result in a flattering of the non-COVID performance.

The second thing in the third quarter, there really were a series of one-offs, which helped the quarter, but probably are not likely to repeat, at least not in a predictable manner from management actions. Some of them have been quarters in the making, some of them came up during the course of the third quarter. But I think the guidance we've had, unfortunately for you of 10% to 12% remains in force for 2022. We do have some challenges in the United States with a cohort of life policies with a potential crossover, which should be seeing their last year of economic challenges for the industry in 2022.

But the other way to think about this is we would target a income that's probably closer to $800 million for a year related to that 10% to 12% return on equity is a reasonable approximation for the coming year.

Operator

We have a follow-up question from Bill Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

You made the comment that secondary perils are underpriced. You've clearly taken a lot of action here, and you continue to see capacity pulling back. I guess this is a bit hypothetical, but in a world where perhaps everything has a price, can you give us any sort of crude estimate at just how much this is underpriced? I mean, are we thinking it's 10%, 20% or 50%? I know it differ by line of business, but just at what level we should consider Swiss Re stepping back in to take advantage of a potential opportunity?

And then the second one is the inflation debate, which is heightened in recent months. Well, a majority of this is -- it's forward looking on certainty on longer-tail lines, I'd be interested to know if perhaps you've experienced anything already on the current portfolio, whether it be on the shorter-tail side or not? And which lines of business we should think about or where you actually would be looking under closest scrutiny in an inflationary environment?

Thierry Leger

Well, I will take your first one and John the second. So what price is required? One is the required price, and the other one is the price we think we can get in the market. So that's hopefully very different. But I will answer your question more technically maybe. I mean, technically, what we said in November last year with regard to secondary perils, technically, what we said is that there are some structural issues. So some of the covers that were placed in the market were in a frequency space, and exposed in a way to secondary perils that has no price in our view. So on those, we will continue to abstain.

And so John referred to being ready to potentially grow into some of the space. That's not the space. So what we're talking about are areas where we think there is a price, and the pricing increases required in those spaces are substantial. They're definitely -- they can be above 100%, they can be above 50%. They're very, very high to make those insurable. But again, as I said, we also have to work on loss definition closes. These are tricky areas. We have to look at where those -- what type of secondary perils they are. We still believe that certain perils that are particularly exposed to climate change such as wildfires, hails, certain torrential rainfalls, so those areas or treaties, particularly exposed to these independent on where they are in terms of structure will probably remain close to uninsurable still in our view.

John Robert Dacey
Group Chief Financial Officer

And maybe on the inflation side, again, Thierry had some great commentary, I think at the Monte Carlo, describing the way we think about social inflation is temporary but not completely, so a challenge on the supply chain.

You asked, Will, have we seen any of this and have we moved out? Where we have moved on the all 3 is with respect to our costing models and making sure that we're getting adequate prices for a different regime compared to what we saw between 2009 and 2020 for core inflation in most markets. As well as the impact of social inflation, which I'd argue we made adjustments for in 2018 and 2019 also with some of the reserve changes that you saw we made.

And the very recent claims experienced, what I would say is one of the unpleasant surprises in Idai was with all this motor damage, the actual cost of replacements and potential repairs of cars was higher than people might have expected. And you see this more broadly in the U.S. motor experienced -- some very good companies are struggling with some loss ratios, which are out of line with what you would expect. And this is bleeding through into some of the losses on flooding related to the hurricane.

So I think -- and a big -- that's one place we came to an industry loss of between $28 billion and $30 billion, in part because we were expecting this is going to be more expensive to rebuild in some cases, but also to replace damaged automobiles, but also other important damages that the hurricane played. So it's a place where we've adjusted some of our models and will undoubtedly continue to evaluate are we sufficiently putting in place for nat cats, the inflation that we should expect in the next 4 to 6 quarters related to supply chains.

Operator

The next question comes from Iain Pearce from Crédit Suisse.

Iain Pearce
Crédit Suisse AG, Research Division

The first one was just on cost over reserve releases. You mentioned some sort of frequency benefits still earning through potentially related to COVID. How long should we expect this elevated experience to last? Or do you think the sort of frequency benefits have now fully been recognized?

And then the second one was on the sort of potential to be growing in retro in those higher, more tail risk areas. Is the plan to do that for the benefit of your own book? Or is the plan just to be seeding that out to your capital?

John Robert Dacey
Group Chief Financial Officer

So I'll try these. On CorSo, I think the benefit in the reserve releases has been focused on our property book. We've been more cautious in any releases related to casualty in part because we think the court systems in the U.S. have been slowed as a result of COVID restrictions in 2020, but also in 2021. And so we are not been as, I think, decisive and concluding that these losses didn't occur or won't come through. That doesn't mean that I expect big reserve releases to follow, but it does mean that we believe that we are well positioned to be able to bear real losses that might come through on a delayed basis in the CorSo book.

In the meantime, I think the important message in there is that the normalized combined ratio that we've provided for CorSo under 96% is cleared out all that benefit. And so the core activities of the book it has today is showing this improvement, and we expect that trajectory to continue. Sorry, the second question was growing...

Iain Pearce
Crédit Suisse AG, Research Division

On the book and how we would use retro for this? Is it on the -- what we have for on a...

John Robert Dacey
Group Chief Financial Officer

Sorry. Yes, yes. We obviously access the retro market in many different ways. The alternative capital partners team, among other things, facilitates the issuance of cat bonds but our clients don't want to go that route, and we would expect that activities to continue to be robust as we go into 2022. We have our own sidecar, one of the largest in the industry. And frankly, I think they were probably a bit relieved when they saw our loss picks for Idai in the ad-hoc announcements we put out 3 weeks ago.

So I think our investors recognize that we are sharing the economics of the group with them. But we're not putting them at any particular disadvantage vis-a-vis the book that we underwrite, we underwrite our book for profit. And so we think we should be able to continue to grow our own retro capacity in line with well-priced risks coming in the front door. At the moment, we use this to manage some peak risks but also just to help with the book. I think we're optimistic over time about being able to grow our gross underwritings, grow the net but also continue to grow the support by other people interested in sharing the economics of Swiss Re.

Operator

The next question is a follow-up from Thomas Fossard from HSBC.

Thomas Fossard
HSBC, Research Division

The first one would be related to mortality losses. So you had a pretty chunk of mortality in Q3. Some of that is true-ups, but just wanted to better understand what sees your scenario for Q4? And maybe into 2022, what kind of exposure should we think that you may get maybe in the first half of 2022? Anything on this would be helpful.

And the second question would be related to your investment portfolio. Have you made any big changes or significant changes quarter-to-date? And I'm thinking specifically of the 14% liquid and cash position that you were holding at the end of Q2. Has this changed? Or I mean, yes, anything you could say about that.

John Robert Dacey
Group Chief Financial Officer

I need to push the button. With respect to the COVID mortality, a couple of thoughts. One is, as you correctly pointed out, we've continued to pay a series of claims, first and foremost, to the portfolio in the United States, which has been the largest single source of losses for us through the pandemic. In the third quarter, there was also some significant losses coming through on what we believe is largely delayed reporting out of India and mostly delayed out of South Africa, although there probably was some third quarter losses there as well.

On a going-forward basis, which was the point of your question, 2 things. One is, as the vaccination rates in the U.S. now have reached about 2/3, what we are starting to see is the people succumbing to the virus and actually dying as a result of COVID, it's a slightly different population than what we saw in the past, and in particular, it seemed to be less insured. And so we've adjusted our guidance where we had said previously that for every 100,000 of COVID deaths in the U.S., we would expect a loss of $200 million. That's come down now to -- for every 100,000 deaths, a loss of $150 million. And then we've actually set a range of $125 million to $175 million because it's a little difficult to judge based on the data that we've seen in the last quarter or 2 quarters, but that seems to be the trend. So fewer insured losses is what aided to this.

The other thing, which I'd say is the second peak in the United States, right, the biggest first peak was obviously in Q1, the second peak in Q3 in terms of number of cases is falling dramatically through here, October. The deaths are down from a peak of about 2,000 per day to 1,400 per day, but that's still a lot. And so we expect this to continue to be a cost in this fourth quarter for us.

The U.S.-related losses in Q3 were $170 million. At least right now with what we see, Q4 would be a smaller number than that, but to be seen as the pandemic itself continues. We would not -- we won't be surprised to see some lingering mortality claims in the first half of 2022, in particular, out of the U.S. We don't foresee other geographies at this point of time presenting material losses to us, but we'll have to judge this as the pandemic continues its path, and I'm not going to predict what that path might look like.

What we can say is the P&C losses have become very small in the third quarter, about $50 million in P&C Re, an actual positive result of some event cancellation reserves being released in CorSo for the quarter. And in the fourth quarter, we've got no evidence that there's going to be any material charges coming through in P&C Re or in the P&C businesses.

Thomas Fossard
HSBC, Research Division

And the investment portfolio and changes?

John Robert Dacey
Group Chief Financial Officer

The investment portfolio, I guess the answer there is we remain a bit cautious. The spreads available on credit are -- remain pretty tight. And so it's not providing us the incentive to jump in to credit in a big way. We've got a reinvestment yield of 2.2% in the third quarter. I think we're okay not going risk on at this point of time.

Operator

The next question is a follow-up from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Autonomous Research LLP

It's a very quick one. Am I correct to assume the run rate of losses from investment in iptiQ doesn't changed. So I think it's the $200 million per annum. I think the higher loss in group center in Q3 was all down to mark-to-market effects. But I just want to clarify, there's no additional -- I know iptiQ has ramped up in a few new countries, especially China, I think, this year. I just wonder if that's meant the run rate of losses has been higher?

John Robert Dacey
Group Chief Financial Officer

No, I can confirm the $200 million or between $200 million and $250 million for full year is a good guidance, and hasn't changed. And you're exactly right. It's the mark-to-market on a couple of positions have been the challenge in group items this year as these are positions, which in 2020 performed very strongly for us. There's been some retrenchment. But over time, we've been very comfortable with these positions.

Thomas Bohun
Head of Investor Relations

Are there any more questions?

Operator

Gentlemen, so far there are no more questions.

Thomas Bohun
Head of Investor Relations

Thank you all for all the questions. If you have any further questions, please do follow up with the Investor Relations team. Thank you again, and we wish you all a very nice weekend. Thank you.

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