S&P Global
Market Intelligence

Swiss Re Ltd SWX:SREN

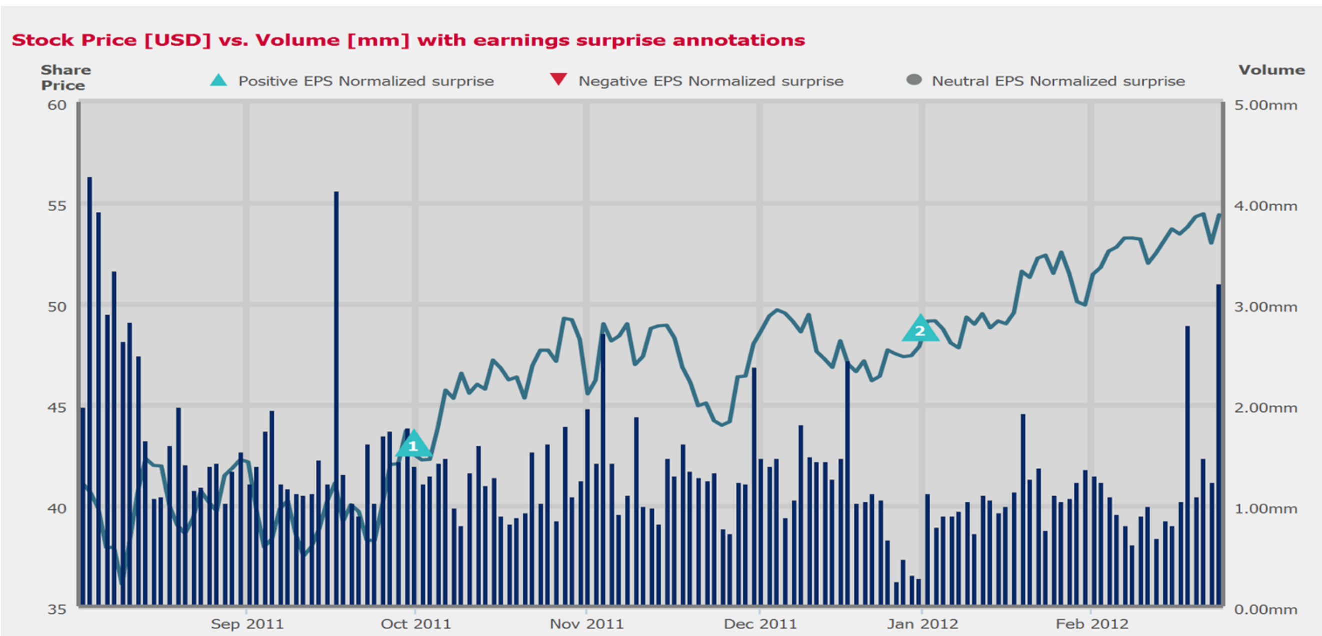
FQ1 2012 Earnings Call Transcripts

Friday, May 04, 2012 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2012-			-FQ2 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.94	-	▲71.65	1.78	6.95	7.40
Revenue (mm)	6554.64	5663.20	-	7124.61	31084.51	33726.96

Currency: USD
Consensus as of May-04-2012 11:03 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	-	-	-
FQ2 2011	1.50	-	-
FQ3 2011	2.27	3.93	▲73.13 %
FQ4 2011	1.64	2.76	▲68.29 %

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Call Participants

EXECUTIVES

Eric Schuh
Former Head of Investor Relations

George Quinn
Group Chief Financial Officer

ANALYSTS

Andrew Broadfield
Barclays Bank PLC, Research Division

Andrew James Ritchie
Autonomous Research LLP

Fabrizio Croce
Kepler Capital Markets, Research Division

Frank Kopfinger
CA Cheuvreux, Research Division

George Quinm

Jean-Francois Tremblay
RBC Capital Markets, LLC, Research Division

Maciej Wasilewicz
Morgan Stanley, Research Division

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Spencer Horgan
Deutsche Bank AG, Research Division

Thomas Seidl

Unknown Analyst

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

William Hawkins
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

George Quinn
Group Chief Financial Officer

Good morning or good afternoon, and thank you for watching the summary of Swiss Re's First Quarter 2012 Results. My name is George Quinn and I am Swiss Re's Chief Financial Officer. In this short update, I'll be setting out the key drivers of results for the quarter. This is the first time that we are reporting our business performance under our new corporate structure. As you remember, we provided comparatives for 2011, including the quarterly P&L's at the recent Investors' Day. That information, together with a replay of Investors' Day, is available on our website.

Let's start with Slide 3. As you can see, we've had a good start to the year with a very strong result for the group, with net income for the quarter of $1.1 billion. This is in stark contrast with the first quarter last year, where we had a number of large natural catastrophes and incurred a loss of $665 million. The first quarter this year has benefited from benign nat cat experience and also from realized gains on investments. The underlying result though, continues to be strong. The quarterly result translates into an annualized return on equity of 15.3% and earnings per share of $3.33, both important measures when it comes to our financial targets, which I'll cover in more detail later.

As it has been for several quarters, the P&C business is again the main driver of the result, both in a P&C reinsurance business unit and in Corporate Solutions. Our group combined ratio for the quarter is 84.9%. One important change in the new corporate structure is that asset management results are no longer reported as a separate segment that now included within the results of our business units. The overall result for asset management is a touch better than the same period last year, with a return on investments of 4%. Realized gains continues to be the same but we do not expect realized gains to continue at these levels.

Note that we have also adjusted our calculation of the return on investments, but not the economics substance, and I'll come to that again later. The reinsurance result overall was strong in the first quarter of 2012. One half of the business, P&C reinsurance, delivered excellent net income of $660 million. As I mentioned earlier, this was driven by benign nat cats. But unlike prior quarters, there was no net positive prior year development. And if I –- we have added to claim reserves for natural catastrophes in prior years, and this means that we have had net negative reserve development for the quarter. Adjusting the combined ratio for these effects, the underlying combined ratio for P&C reinsurance would have been around 92.1%.

The other half life and health reinsurance contributed to a solid result for the quarter of $209 million boosted by realized gains. We try to improve the analysis of the results for life and health to give you more insight into the drivers, and I'll walk through this in a moment.

I am also very happy to say that Corporate Solutions have shown a strong performance with net income of $84 million and a double-digit return on equity. As for P&C reinsurance, this was helped by benign natural catastrophes versus expected, and in the case of Corporate Solutions, also by larger positive prior year reserve development. The combined ratios reported for the quarter was 84.7%, and excluding the above effect, it was still a very good 95.8%. I expect Corporate Solutions combined ratio and return on equity to be volatile.

Admin Re's results were quite exceptional for the quarter, with net income of $174 million. This was mainly driven by one-off tax benefit and by realized gains on investments. So, while I would not expect this to repeat, the team have worked hard to start the process of optimizing the portfolio. I expect Admin Re's performance to be much weaker than the remainder of the year. With all things being equal, our result is much closer to breakeven.

Book value per common share increased to almost $88 or CHF79, driven by the strong results for the quarter on one hand, but partly offset by the reduction in unrealized gains due to rising interest rates. Note that book value per common share does not include the increase in shareholders' equity due to the issuance of $1.1 billion of contingent capital in the first quarter. Our target measures will focus on common shareholders' equity measured book value per share, earnings per share, return on equity, or even economic net worth per share. Our SST, or Swiss Solvency Test ratio, a measure of capital adequacy as we have reported at the FINMA in April is 213%.

Normally, I tend to skip over this next slide, Slide 4, but I would like to highlight to you the new format showing the full financial segments as well as the addition of the common shareholders' equity line. You can also find here the unrealized gains figures by segment.

P&C reinsurance is on Slide 5. As I said before, this has been another excellent quarter for this business, both for the bottom and the top-line. We continue to see substantial growth against the backdrop of rising prices. In fact, net premiums grew by 38% in the quarter. And as we have highlighted in the renewals part of the full year 2011 presentation, this growth is driven by new business from large transactions in all parts of the world, but also from premium ends and from business that we wrote in 2011, including notably from Asia. We have also included net written premiums in the disclosure here, and as you can see, we estimate an increase in net premiums written for the quarter of 11.5%. As a result, we expect to see further growth in premiums and throughout the remainder of this year.

Nat cats, in the first quarter of 2012, were very benign and this is reflected in an 8.4 point lower P&C combined ratio than expected. Contrary to many previous quarters though, we did not again see net favorable reserve development and, in fact, reserve development was slightly negative. While 2008 and prior years still runoff positively, we strengthened reserves for the 2011 nat cat losses in Thailand and New Zealand, and this led overall to 1.3 points of adverse experience in the quarter.

Adjusting for both the nat cat and reserve effects, the underlying combined ratio for the first quarter was 92.1%, which is a bit better than our guidance of 93% for P&C reinsurance. Also note that the higher volume of business has had a positive impact on the admin expense ratio, lowering it by just over 0.5 percentage point compared to the same quarter last year. This positive underwriting result is also reflected in the net earnings and the return on equity of the P&C reinsurance segment. Compared to the heavily nat cat affected period last year, we've seen a strong swing. With net income of $660 million, the business is producing a return on equity of 25.4%. This result also benefited, to some extent, from realized gains of $88 million. We have supported the return on investments overall of 3.5%.

The lines of business on Slide 6, property with the combined ratio of 71% of course saw the biggest change compared to the prior year, due to a swing in from excess nat cat losses last year to very few this year. This was partly offset by the revised lost estimates for the Thailand floods and the New Zealand earthquake in 2011, where we increased our lost estimates by $64 million and $89 million, respectively. The estimate for the Japanese earthquake from 2011 was marginally reduced leading to an overall prior year results strengthening for these 3 events of $149 million. Casualty overall is performing in line with our expectation, with positive claims experienced for prior accident years principally in Europe and the Americas for years 2008 and prior. On the other hand, we've seen some negative claim development in motor and in accident health, but on a much smaller scale.

Specialty results continue to be better than expected overall, although the marine result for the first quarter of 2012 was impacted by the Costa Concordia loss. Overall, net prior accident year development across all lines of business was a negative $40 million in the first quarter. Again to repeat, this was driven by the net reserve strengthening for the 2011 nat cat events partly offset by the reserve releases I mentioned earlier for prior years in casualty.

Life and health reinsurances on Slide 7, and as you can see, delivered a solid result. Just one reminder, these numbers no longer include the Admin Re, which I'll present separately in a few moments. New life business in the Americas and new health business in Europe have led to an increase in premiums and fee income, delivering growth of the positive pricing levels that we have indicated at the recent Investors' Day.

The life and health reinsurance business benefited from favorable mortality and morbidity experience compared to our expectations. And I'll show you more of this in a moment. Offsetting these positive effects were the adverse lapse experience of the pre-2004 or all the U.S. business, which generated a $51 million negative effect in the first quarter of 2012 when compared to the prior year.

Talking about more market-driven factors in the life and health result, the VA, or variable annuity, and pre-2000 GMDB book saw a loss, which was partly offset by B36 –- by gains on B36 business that resulted in an overall loss of $27 million. Furthermore, the segment benefited from net realized gains of $118 million in the first quarter, which supported the return on investments of 4.3%.

Let's now take a closer look at the components of the life and health reinsurance results for the first quarter 2012, on Slide 8. You can see the net income was reported for the first quarter on the very right hand side of the chart. And on the very left, you see the net income for the first quarter of 2011. What we have done here is to take out the market driven factors from both of them, working our way inwards to a pre-tax operating income figure that excludes variable annuity, pre-2000 GMDB and the B36 components of the result as well as realized gains and losses from investments.

The interesting part is the middle section, the quarter-over-quarter work from operating-to-operating. Here you can see how mortality, morbidity, pre-2004 U.S. business, and model and assumption changes and other items like expenses have moved versus the same quarter last year. Just as importantly, you can see below the variations from expected over the last 13 quarters, both in the extreme and on average. You can see here that mortality is frequently positive, where all the U.S. business is typically negative, more as an assumptions are on average close to a wash, probably the most important points to note are that the mortality profits for the quarter near highs, while nearly all the U.S. business is near lows.

As you can also see from the high-low ranges, volatility can be significant in all categories. Some of this is the natural volatility that comes from looking at a long-term business over a very short-period. It is not much that you can or would even want to do about this. The second is that mortality is far more positive than we would expect, but it's much harder to say that all the U.S. business is unusually negative. As you've indicated previously, our pre-2004 U.S. business is a drag on earnings and the main problem is the short lapse that occurs when the products experience large rate increases at the end of the level 10.

On top of this, the business that does not lapse is not as profitable as we had anticipated. Mortality is at a level that is much lower than other expectations or trends over the last few years, while the pre-2004 business has been showing negative trends that we do not expect to reverse in the short-term.

Corporate Solutions is next, on slide 9. We have seen solid growth and a strong business performance in the first quarter, and the latter also supported by benign loss experience and favorable prior year reserve development. Net premiums earned are up by 28.3% and all major lines of business are seeing growth in our Corporate Solutions business. More importantly, this growth is accompanied by very low combined ratio of 84.7% for the quarter, even lower than the P&C reinsurance figure. The absence of large nat cat events for Corporate Solutions and positive reserve development for prior years means that the underlying combined ratio would rise to 95.8%, which is still an excellent result.

You would also expect this to show up in the net earnings and the return on equity, and it does. The business has generated an excellent return on equity of 13.9%, supported by return on investments of 3.2%. Admin Re is accepting result for the quarter as shown on Slide 10. You can see here that we will maintain our focus on gross cash generation for the business, as it’s one of the determinants of our ability to pay dividends to the group. You also see dividends within the group, which will hopefully alleviate any concern that cash "there is no cash."

Gross cash generation this quarter is similar to last quarter, and some of the negative effects associated with restructuring expenses and the course of the integration of the Alico business that we acquired last year are offset by some of these steps that we have now taken to improve the capital efficiency of the business.

Admin Re enjoyed a good return on investment of 5%, supported by realized gains. And in fact, Admin Re holds a larger proportion of its invested assets in corporate bonds than other parts of the group, which should lead to higher investment returns. There are several large factors impacting the income in the quarter that are of an exceptional nature. Firstly, our release of a tax valuation allowance against historical losses resulted in a $77 million gain. And adding to this, mortality and lapse were favorable versus expectations by about $20 million. And the realized gains I mentioned earlier on investments boosted the result by about $61 million.

As we said in the full year 2011 disclosure, you would expect some additional one-off expenses in Admin Re in the first and second quarter of this year, and we saw about $26 million from this effect in Q1. These factors helped in achieving an overall annualized ROE for the quarter of 9.4%.

On Slide 11, I'd like to highlight a few key points of our good investment results for the quarter. You may remember that during the Investors' Day, we showed you that we have changed the scope of the assets that we include in the calculation of the return on investment, in essence getting much closer now to the complete picture of returns on all of the assets that the group holds. We showed the average invested assets on this slide on the left, and this should allow you to see how the basis for our ROI calculation changes over time. We have a bit more work to do here, so that you can see the net movements quarter-on-quarter, but this is a start. We have not changed our stance on peripheral Eurozone sovereign credit exposure, which is still a very low $56 million. Furthermore, our portfolio remains largely matched for duration, with a DV01, or a measure of interest rate sensitivity, of negative $2.2 million per basis point.

The return on investments remains very good with 4%, it's even a bit above the same period last year. And note that last year was calculated on the same expanded basis, so the 2 figures are consistent. The ROI was boosted by net realized gains of over $300 million. Given the level of gains in the quarter, this is a level of return that I would not expect to see continue and I expect it to fall in Q2.

You can see, however, that the rising interest rates in the first quarter of 2012 have taken their total on the unrealized gains level in the firm, bringing them down by about $1.1 billion, pushing our total return on investments down to 0.6%. This is something that we have said consistently would happen when interest rates started to rise after the significant increase in unrealized gains of $5 billion that we saw over the course of 2011, when interest rates fail.

On Slide 12, we talk about the development of shareholders' equity in the quarter. As you can see, we have a rise of $0.5 billion from the end of last year, mainly driven by the positive impacts of group net income of $1.1 billion and increases in unrealized gains and equities and corporate bonds, resulting from the rally and the equity markets and tighter credit spreads in Q1, but the increases in unrealized gains from equity and credit were more than offset by reduction of $1.8 billion in unrealized gains on government bonds as a result of rising interest rates.

You will note the shareholders' equity also increased as a result of the issuance of 2 contingent capital instruments in the course of the first quarter of 2012. As we said before, we considered these instruments a template for future hybrid to capital issuance. They key difference with these being the treatment is equity under U.S. GAAP and regulatory rules. As a result, you will see these instruments increase shareholders' equity, but they do not increase book value per common share or economic net worth per common share, and are not part of the basis for calculating return on equity. In other words, clearance for all of these measures is common shareholders' equity, which will continue to be driven by the known business and market factors.

For an update on the April renewals we'll move to Slide 13, you can see substantial growth in our treaty portfolio, also for the April renewals. This was driven by increasing prices, increased share of wallet and additional demand for peaked nat cat exposures measure. Our portfolio of price quality increased on a risk-adjusted basis by 17% -- 17 points for the April renewals. Remember that for the January renewals, we reported an increase of 1 point in price quality. On nominal –- on a nominal basis, prices increased by much more than 17 points as it was the case for the January renewals already.

You’ll notice that the portfolio up for renewal grew by only "14%," which is less than the 17 percentage point price increase would imply. The reason is not that we wrote less business and, in fact, on the contrary we have ran substantially more, but we have tended to rate in higher layers and to rate more non-proportional business, in general, which generates less premium volume. In particular, we wrote more non-proportional business in Japan and reduced proportional covers. The trend of increasing prices is expected to continue in 2012. And as you have seen already in the January and April renewals, we are prepared to deploy more capital if the prices justify it.

As every quarter, I’ll now give you a brief update on our targets on Slide 14. As you know, our targets are not annual, but we do track them constantly. You can see that our annualized ROE for the first quarter of 2012 was comfortably above the hurdle rate. It's obviously still way too early to celebrate victory, but while we can –- while we expect the quarter results to be volatile, if you remember Q1 last year, for example, we think we are on the right track.

The $3.33 per share for the first quarter is also, of course, above the implied watermark that the targets give. As I said earlier, the results benefited from low nat cat experience and realized gains, so we have to take this with a pinch of salt. Our economic net worth per share targets are equally important and we will publish and the data required to check our progress on these biannually. So, again, an update on this together with the third quarter results.

Let me end my presentation with the summary I have on Slide 15. We have seen a very strong performance of the group in the first quarter of 2012. All 4 segments have contributed positively to the result and therefore, you could say that the business is firing on all cylinders. To stay with the current analogy that performance was boosted by the absence of major natural catastrophes and by realizing gains on investments, as I said before.

We are taking full advantage of our strong market and very strong cat position. Most notably, the successful April renewals and P&C reinsurance means that the profitable business growth that we saw start in 2011, also in January this year, has continued into April. And we expect this to continue further with continued price increases and more growth in the upcoming renewals in 2012.

As I promised on the Investors' Day, we'll continue to focus more on free cash flows and inter-group dividends and Admin Re will take the lead and pay $175 million dividend to the group in the second quarter of 2012. We continue to put our financial targets for 2011 to 2015 at the forefront. They are our highest priority. See you again in Q2 and thank you for watching.

[Break]

Eric Schuh
Former Head of Investor Relations

Good afternoon and good morning everybody, and from Swiss Re's side, welcome to our First Quarter 2012 Results Conference Call. So, in Q3 last year, we have changed the format of our quarterly results calls. The new format contains a video presentation by the CFO, which is available on our website at 7 AM and the call that we are having now, that focuses solely on Q&A.

I am here with our CFO, George Quinn who will give you some opening remarks before we turn to the Q&A. George?

George Quinn
Group Chief Financial Officer

Thanks, Eric and good morning or good afternoon to you on the phones. I'll keep this really quite short. So, as you've seen from the figures we reported this morning, we've had a good start to 2012. We have strong performance across all of our segments, albeit one that's only boosted by an absence of natural catastrophes and some realized gains, but nonetheless, our underlying performance for the quarter is strong.

I particularly want to pick out and highlight the renewal today. We have taken the strength of our client franchise, our capital and underwriting strength and combining them to achieve an excellent outcome on the April 1 renewal. As again, you've seen this morning we've got substantial improvement in margins and significant growth, as you would expect to see against this backdrop of rising prices. There are some challenges that we've yet to face, but there is no doubt in my mind that the firm is headed in the right direction and the results of today are further evidence that we're headed in the right direction as far as our financial targets are concerned.

With that I'll hand you back to Eric.

Eric Schuh
Former Head of Investor Relations

Thank you, George. So, operator, we'd like to turn to the Q&A and in the usual way, could people please restrict themselves to 2 questions each. Operator, can we please take the first question?

Question and Answer

Operator

Yes. So, the first question is from Mr. Spencer Horgan of Deutsche Bank.

Spencer Horgan
Deutsche Bank AG, Research Division

Very much, good afternoon. Two questions please. First one is just coming back to these renewals, George, you mentioned the price adequacy was up 17 percentage points, which I guess is a function of 3 things, i.e., the price, probably the business mix or I guess you've moved into more higher-layer, non-proportional business? And also a reduction in the assumed seismicity in Japan, and I was wondering if it is possible to sort of quantify the impact of each of those 3 things within the 17 percentage points and to the extent that you are writing high-layer non-proportional business, presumably that's consuming more capital? I wonder if you could give us a number in terms of the increasing capital committed in the April renewal? I am hoping that counts as one question. Second one is therefore is on Corporate Solutions, I thought the target combined ratio for the Corporate Solutions near term was 101% and yet the Slide 9 shows the adjusted number as 95.8% for this quarter. So, I was just wondering what else was going on in there?

George Quinn
Group Chief Financial Officer

So, on the first one we don't break apart the, I guess price versus business mix. So, we look at the total economic improvement in price adequacy. So, I can't really break that one out for you. I can break the seismicity piece, so I think, just for everyone's benefit, last year in the immediate aftermath of the earthquake in Japan we added an adjustment, that's actually increased the loss cost in the short-term for the risk of aftershocks. That will decay over time. So, over the 17 points, 4 points comes from the release of part of that adjustment that we made a year ago.

On the capital side of things, from an economic capital perspective, which is the main constraint that the firm will typically face, this is one of the peak perils from a nat cat perspective, but it's not as large as the 2 largest, so European windstorm or Atlantic hurricane?

If you look at the additional capacity that we have deployed today, I think I understood, I look at the number. We've deployed about 40% more in capacity. I think if you translate that into a capital impact, it would be much, much less than that for this peril, because it partially diversifies. So, from a -- I think if you look at it from a probably the simplest, if you switch to S&P, S&P's going to be the easiest way to look at it, because it's factor based. I think if you take about 1/2 of the premium growth, I will give you some idea of additional capital deployed. So, the additional capital requirements for this business, this renewal, are really, really quite small.

When the target combined ratio for Corporate Solutions, so you're right, we gave guidance for the group overall for all the P&C business of 94%, which is split 93 for reinsurance and an expectation of 101 for Corporate Solutions. Just given the nature of what Corporate Solutions does I think you have to expect that there is more, I hate to call it good or bad luck, but more natural variability beyond the peer and that kind of component. So they're obviously significantly exposed to manmade losses, and that will also drive short-term variation and the combined ratio. So we don't see any reason to change the guidance that we gave and I'd simply look at the 5 points of difference so it's well within the natural volatility that you can expect to see from this business, given the types of risks that it writes. I expect the combined ratio to be volatile going forward.

Spencer Horgan
Deutsche Bank AG, Research Division

Okay, so it's just a small request maybe, is it possible to split out the impact of large claims on the combined ratio in nat cat and manmade in future quarters just to reconsider GAAP that's picture of the underlying?

George Quinn
Group Chief Financial Officer

Without making a commitment we'll have a look.

George Quinn
Group Chief Financial Officer

Next question please.

Operator

Here is the next question. It's from Mr. Andrew Ritchie of Autonomous.

Andrew James Ritchie
Autonomous Research LLP

Just 3 or 4 questions I think. First of all, if I look at your SST ratio I think you're saying as of at the end of April it was 213 and that projected number for the end 2012 that compares to 210 I think it was at the end of October projected 2012, I'm just thinking I guess the reason I'm asking and also combined with sort of year-to-date, you've generated $1 billion of that earnings, you have also raised $1 billion of contingent capital, it looks to me that essentially, based on the SST projections and sort of year-to-date, you haven't yet actually deployed any excess capital or rather the projected SST suggests that based on your plans, what you've renewed, what you think you can earn, you are actually not consuming any capital, any excess capital as such, if you sort of follow my thinking. If you just run us through it's not really the case. Second question simple on Admin Re on that the dividend but it, all the cash that it paid out, is that something we should expect every quarter, is it a lumpiness to that and does that represent cash back to the group or is that cash actually dividends or is it some internal cash flow?

George Quinn
Group Chief Financial Officer

So, on the first one I think you're almost right. I think the position is actually, I am not sure whether to say its better or worse. So, the one important point about the SST ratio is that the first report that we filed in April is essentially at the beginning of the year view. So, it takes into account of additional risks that we expect to incur on the underwriting side but it wouldn't take into account market movements beyond the beginning of the year. So I would actually expect that all things being equal, there would be an improvement given the market recovery toward the improving equity market and the impact of spreads. So, the SST ratio if we redid it today would probably be slightly higher than the 2.13. So I think your summary is right. The question is why, given the fact that we've taken more risk on underwriting side don't you see it, and that's mainly explained by some relatively modest but positive model changes that we've got in Q1. So, we've absorbed some capital and that's largely been offset by positive model adjustment.

Andrew James Ritchie
Autonomous Research LLP

So in other words then, you've grown, but your actually excess capital in an economic view hasn't gone up?

George Quinn
Group Chief Financial Officer

Correct. On the Admin Re sides just to make sure I understand question correctly. I think you have the gross cash Andrew that you see.

Andrew James Ritchie

Autonomous Research LLP

Is cash equal to dividend out and it seems -- I think you said at the Investor Day, 200, 250 was a kind of targeted dividend extraction run rate. We had almost a bit more than in the quarter. So is this something that happens every quarter or is there some lumpiness to this?

George Quinn
Group Chief Financial Officer

Yes, the way this thing works is the gross cash that you see in the chart is the internal cash that Admin Re generates, due to pay a dividend to the group in Q2. So shortly of $175 million but the gross cash number is an indication of what they should have to pay us when we get to the end of the year. But I don't expect take a quarterly dividend from Admin Re.

Andrew James Ritchie
Autonomous Research LLP

Okay, I understand there is a timing difference between cash and dividends. So the dividend 175 would reflect last year's dividend reflecting last year kind of thing, is that explains the lag, right, got it.

Operator

The next question is from Mr. William Hawkins of KBW.

William Hawkins
Keefe, Bruyette, & Woods, Inc., Research Division

Just one question George. The prior developments that seemed to be so good in the liability book, during your formal words you flagged 2008 and prior for Europe and the U.S. Could you possibly maybe be a bit more precise? I guess you're talking mid 2000 business rather than pre 2001 and what's the split between Europe and U.S. Just a bit more detail on that would be grateful?

George Quinn
Group Chief Financial Officer

Okay. So the -- I think that probably I should have said, prior to 2008, as you would expect there is a not a lot of 2008 development and I slightly misspoke. I think if you look at the various lines of business, we'll start with P&C Re, property, I guess we've highlighted the fact that we actually have strengthening in there, and that's driven by the increases in lost estimates for New Zealand and Thailand. On the casualty side, there is about $70 million of positive experience driven by better-than-expected claims experienced generally across liability everywhere. So, for the first time we see the U.S. have an impact but the numbers are relatively modest and it's partly offset by small amounts of reserve strengthening for Italian motor and a smaller yet gain on accident and health. And specialty was actually a larger driver in Q1. So, we got nearly $70 million of proven on specialty side, mainly driven by engineering and aviation and space. Aviation and space tends to be a shorter tail line, engineering can be quite long tail, so we maybe adjusting underwriting yields, 5 or more years ago from engineering group.

William Hawkins
Keefe, Bruyette, & Woods, Inc., Research Division

If I may just clarify, George, in the casualty book, the pre-2008 releases, that's business that sort of from the middle years of the decade rather that pre-2001, is that right?

George Quinn
Group Chief Financial Officer

Okay, right. Yeah so… It's typically the usual suspect. So, it's typically pre -- I'm sorry 2003 through 2006 are still by far the best year for casualty.

Operator

The next question is from Mr. Michael Huttner from JPMorgan.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

First question is do you have in your incentive of all you get paid a cap. In other words would you have very good Q1 and lesser year develops more as kind of flat on the 17 April. It's actually, we are looking at a numbers $3 billion because a little bit above your $8 a share you show in the slides. Is there some mechanism which says, well, no, at $8 a share, we don't get paid so we don't sell through? That's my first question. And the second is on the industrialized, I do remember I'm sorry Corporate Solutions, the head of industrial lines mentioning in several times in 95% was right number that we're aiming for, after 93% I completely, so obviously I didn't follow something on that and I just wonder whether you could help me out, because I thought the 95.8 within that 95, but can you help me out?

George Quinn
Group Chief Financial Officer

Okay, sure. Just to check on the first question, I think you asked me, Michael, if we didn't get paid for the earnings would we not show it? But I misunderstood you, did I misunderstand you?

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Yes, that's correct.

George Quinn
Group Chief Financial Officer

So, that would be inappropriate.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

Your competitors work on that basis?

George Quinm

Okay, so we don't. There are various caps in the incentive system so the amounts we get paid are capped. But what we're going report to you is cover we believe we've actually earned. I think as a management team we would be interesting Jeopardy would if we started to adjust the financial reporting according to what we want to be paid for the year. So the various schemes that we have, whether it's the cash annual performance incentive or the long-term incentives that some of the senior management benefit from, all have caps, but that has no impact on what we report to you. We report to you as what we believe we've earned in the quarter for the year. On the second issue on corporate solutions, I think the reason for conclusion -- confusion, is that when we had the Investor Day we showed 2 numbers, so we showed you Corporate Solutions as is, which is the basis for the 101% gains on the combined ratio. And at the same time, we've also shown you what the complete contribution of Corporate Solutions is to the Group today, including the business that it seems to Reinsurance. To give you a sense of what we look like 3 or 4 years from now when it's reached the steady state, and the reason for doing that is that when we prepared the new segments, Corporate Solutions did not recapture business that is previously exceeded to Reinsurance typically for carrier management purposes. So, that 95 that you're referring to, that was more like a forward-looking view or a view the entire contribution that Corporate Solutions has to the group today, but it'll take some time before the standalone numbers for Corporate Solutions actually show that.

Operator

The next question is from Mr. Thomas Seidl of Sanford Bernstein.

Thomas Seidl

Two questions. The first one on the life and health reinsurance chart number 9, the waterfall chart, I was just wondering if you could give us some guidance on the outlook on the mortality and on the reps changes if they are fixed not, if they will state or are we going to see some ups and downs and what are the drivers will see ups and downs? And the second question is on the contingent capital, I think you're spending some 7% or 8% of this per year, I just was wondering are you planning to deploy this in new business this year or is it more that you're going to replace other source of capitals?

George Quinn
Group Chief Financial Officer

So, the -- I think it may help if I just explain a bit of Slide A1 and of course small table at the bottom. So you see here a summary of the mortality morbidity performance was expected the pre 2004 U.S. business, the loss impact from that and the impact of more than assumptions. And we've given also the range and the average of the last 13 quarters. I think if I look at this, the way I'd read it would be that we've had a mortality or morbidity impact for the quarter that's significantly above expectations, is in fact well above the average that we've seen over the last few years.

So you'd expect that on average we'd achieve something closer to the average. So we have a, not extraordinary profit, but we have a mortality impact that's possessed use of the randomness of the arrival of claims instance of individual large amounts or lack of them will drive the reported quarter number within a fairly wide range, but the average is typically positive. So for that piece, I'd say that the life and health result for this quarter is higher than we would expect to see. And for the pre 2004 U.S. business the last spot you can see is negative typically it's negative. I think unlike the mortality and morbidity, which is more of a random walk, that you can see a reasonable trend if you go back through the disclosures on the pre 2004 U.S. business, I wouldn't take it all the way back to the average, I think that we'll see this run negative, I would think through certainly this year may be next as we walk away over this particular book. So for these 2 I think there is some temporary positive on the mortality and morbidity side and I think that the U.S. business last piece is not permanent feature but you'll certainly see I think for several quarters to come. On the models and assumptions, I expect that to be an average of wash and I think the thing that we have to do as a management team is narrow that range down on the models and assumptions so that we don't have a $140 million spread for an average close to zero. That's how I would use these figures, I hope that helps.

Thomas Seidl

All right so in future that means we have a bit lower, I'd say, operating income to assume, yes?

George Quinn
Group Chief Financial Officer

Correct. So, I would restraint a bit, clearly for the mortality profit in the quarter. On the contingent capital sides, so, kind of what we have been doing is really refinancing the -- some of the hybrid part of the capital base. We have a preference for this new model that you've seen is more expense than hybrids, but we think the much higher equity content justifies and as you see today, it actually ends up been reported as part of shelter equity. And over time, this is part of the overall capital base of the firm. This is simply a refinancing activity we'll undertaking at the moments and once we reach our capital plan we'll stop. But in terms of how we would use it, we view the entire capital base as fungible. So, we will deploy it anywhere where we think we'll get the appropriate returns.

Operator

The next question is from Mr. Andrew Broadfield of Barclays.

Andrew Broadfield
Barclays Bank PLC, Research Division

Two very quick simple questions. Admin Re, I think your comments George this morning on video was to expect the break-even for the rest of the year I'm assuming that's about 9 months is the expectation. Can you just explain to me again I'm sure you've done it lots of times, it's just simply because of the expenses that you're incurring that will offset any normal profitability or there's something else in there? The second just on the P&C renewals as well, so, the renewal economic improvement on the yields was I think 17 percentage points you said in April. But I guess as also some of your business and quite a lot of restructuring. So, it is fair to assume that the business canceled against the business that you've got new would probably be there or even above that level of improvement in theory, if nothing else?

George Quinn
Group Chief Financial Officer

Okay. So the -- on the first one, you're right. So my comment this morning was intended to reflect the remaining 9 months rather than be a projection for the full year, but I guess it can work out given the combination of the 2. I think the reason for that, I would typically expect Admin Re, in its current form, while we do some work on it to have a pretty low ROE. So, I think I have typically said, low single digits. I can see some things coming up, expenses are one of them that will temporarily impact the ROE, keep it even lower than that level and that was the reason for the comments that I made this morning. I don't expect, Admin Re to have a routinely break-even ROE. Obviously, there's still some work to do by far to bring this to a level that's more acceptable.

On the P&C renewals, ordinarily it would be very difficult for me to break the new business from the business canceled. You remember that we used to have that format, we're still giving it, because it's quite hard to have a clear definition of kind of what's the new business, what's essentially the restructuring of an existing contract. But one thing I do know from talking to Matt Weber yesterday, because obviously, we were looking at what we're seeing from competitors on price adequacy. And he made the point to me that one of the more profitable areas of what we've done on April 1 is private layers. So these would be new transactions, where we had a 100% reinsured of particular part of the program where we assess the price adequacy as higher than average. So I think in this case, almost certainly the new business is a relatively big driver of this improvement in margins that we are reporting today.

Andrew Broadfield
Barclays Bank PLC, Research Division

Okay. Just one other confirmation, I think from Spencer's question as well. The capital allocated, it sounds to me like you haven't actually increased dramatically the capital allocation because of diversification benefits and those other bits. Is that -- was that the right conclusion?

George Quinn
Group Chief Financial Officer

It was.

Operator

The next question is from Mr. Stefan Schuermann of Vontobel

Unknown Analyst

Yes, I have 2 questions. The first one is on duration management. Do you basically decrease your sensitivity to interest rates in the first quarter? I wonder if one now just taking 2.2 million or 5 at the end of the year? And just maybe to explain where it is happening, what segment? Was that in one-life I assume or were there any other changes in other segments? And then the second small question on restructuring cost, maybe just give us some more insight. You show $26 million of restructuring costs in Admin Re in the first quarter. Can you give us some indication what are you booked for in Corporate Solutions?

George Quinn
Group Chief Financial Officer

And so on the duration management side of things you're quite right so over already. The duration mismatch has reduced from a relatively small about $5 million basis point at the end of the year to $2.2 million for basis point at the end of the quarter. And some of this is actually relatively low of this is active duration management by the firm. A fairly large chunk of it is, for example, things like convexity in the portfolio and that's all that will automatically move things and also as we update the portfolio, clearly for the year end, we have the larger and more detailed part, the actuarial study, that actually shows that change in the liabilities that has adjusted the overall duration gap for us. So we haven't made a deliberate and active decision to substantially cause the duration gap and most of it has happened naturally either because of convexity changes or because of the portfolio updates. On the restructuring side of things, so I think I know I sometimes refer to as restructuring, restructuring is not particularly a good way to put it. So, I think we have 2 different things going on in the firm. We've got Admin Re, where we're spending money to create a more simpler and more independent platform, and a business that will run itself because a level of detail and focus that's appropriate to Admin Re as a standalone business. At the same time we have Corporate Solutions and Corporate Solutions is hiring employees, opening new offices to create the footprint necessary for the profitable growth that we're planning from Corporate Solutions.

I think if I pick out Corporate Solutions first, I would say that for the investment impacts over the first few years is probably going to add about 2 to 3 points to the expense and combined ratio over that period till we reach the hopefully steady state say 3, 4 years from now, when Corporate Solutions has kind of reached its targeted size. Obviously, the office opening is in the hiring of the staff but will always precede the writing of the business, but I guess Galvagni and the team will manage this carefully. We're not going to grow no matter what. We will only grow if we see the profitable opportunity and that may affect the phasing of expenses. But so far the growth that the team are reporting is in line with our expectation as is the increase in expense.

On the Admin Re side of things, so I think I tried to highlight also here that I expected some of the additional cost that we are incurring, not only in relation to the changes that we're making in the way the company has managed internally but also in relation to allocate having impact certainly into the second quarter of this year. If I look at Q1 until the one off cost for about $35 million for Admin Re and I expect traditional one off cost for the remainder of the year to be quite slightly above that level, so somewhere between say $40 million and $50 million still to come.

Operator

The next question is from Mr. Frank Kopfinger of Cheuvreux.

Frank Kopfinger
CA Cheuvreux, Research Division

My first question will be on the running yield, the first quarter you said that it's 3.5% and as you harvested some gains on the bond side and you reinvested in bonds, I will guess that the yield is going down to, could you give us some indication about the yield of the reinvestments and where we should expect the running yield to go towards the end of the year? This will be an out discount as one question and my second question would go on the April renewals on the renewals overall. And as we are mainly talking about net cut pricing and price increases there, do you see also other lines that are currently improving or are you expecting other lines to improve or deteriorate?

George Quinn
Group Chief Financial Officer

So, thanks Frank. On the first one, you're completely right. So the fact that we have gains in the result for the first quarter means of course that that's going to impact the future running yield. I think to give you some more detailed numbers, if I look at the book yield of the net acquisitions in the quarter is about 2.2% and the book yield of the net disposals is about 2.8%. If I look at -- if I try and do the war for the walk from one to the other, that means the impact of the purchases tickets down by about 33 bps. The impact of the disposals has about 22 bps in the other direction. So, you have about net impact, you have about approximately 10 bps, that's slightly more than I indicated for Q4. I think if you remember or if you heard some of the conversations that took place around Q4, I had indicated, I think for the year, I thought we are running maybe 6 bps a quarter.

We have more gains in this quarter. So, you expect to see a more negative impact on the running yield. Having said that though, the running yields over the quarter is fairly flat. So, the 10 bps that we've lost because of the lower reinvestment rate is partly offset by change in gains, of course, as you have seen today, we have a reduction on those gains in the portfolio, some foreign exchange movements and some other changes in the portfolio such as the adjustment of floating rate securities. But I think that the -- I don’t expect to see gains at this level throughout the year, but we’ve had a 10 bps impact in the quarter. We had 6 bps in the quarter at the end of last year. So, if we continue this level you will see that kind of decline. So, we have 25 bps plus. But I expect the gains to reduce in terms of impact. And in fact, given the plans that we announced on the Investor Day for re-risking and depending on when David Blumer and the team started that process and depending on what interest rates are when we do that, it’s possible that in some quarters we'll actually have a positive impact on the running yields through that activity as we saw last year in fact in some quarters.

April renewal, so I think the challenge with the April renewal is that obviously Japan dominates it and Japan has got a combination of the impact of the nat cats and the nat cat exposed businesses. I think as you have had already from market commentary are showing huge increases, but at the same time, again I think almost everyone is aware, Japan is the main source for the international reinsurance sector of the Thailand loss. Generally, everything in the April 1 renewal is moving in the right direction and it's only a question of speed, so obviously things that are nat cat exposed are seeing very, very significant movements.

I think if we look more broadly either side of the renewal and look at the activity that’s taking place. I think not surprisingly, the generally the nat cat exposed businesses are the ones that are moving most rapidly and we don't really expect that to change going into the July renewal. It's still the most constrained area. It's the area where I think both clients and re-insurers are cautious about how they deploy the capacity. And that’s the one that probably has the most attractive market dynamics. Having said that though, our belief is that if you look at the sector broadly, I think there are always areas you can pick out where you are not seeing the movement you would like to see, but generally the momentum on pricing in most areas has at least a slight positive to it and that's a trend that we expect to continue.

Operator

The next question is from Mr. Vinit Malhotra of Goldman Sachs.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

So, on the 2 questions, on the contingent capital George, you mentioned clearly why you did the thing, but why would you need to replace even a maturing hybrid, given that there is so much capital in the system already. So, that’s more a theoretical question probably. And just a little bit on the numbers, in the group items, there is a $37 million gain, realized gain and that was line that has legacy loss and some positive from the designated trading portfolios, particularly, there is an EFS big move down in the gullies. So, I wonder is it just a fact of currency move that we are seeing a positive on the group items, but a negative in the EFS, of course, then on the same asset class, but generally just if it's only a question of FX?

George Quinn
Group Chief Financial Officer

So, the second one is FX, so if you look at it overall, it's fairly flat to slightly, very slightly, negative, immaterial in the FX. On the contingent capital side of things, I think the reason why you see us do what we are doing currently is that we are trying to take a longer term view. And I think that the estimates that we think we are issuing today, I mentioned early, we think it's got a very high equity content. And if I look at the price that we pay for that type of equity investment versus other forms of equity capital, it feels like a good part of the capital structure to increase for us. So, over time, I expect us to deploy capital or remove it from the system, but for the time being, it's only seems to me, at least, this is an attractively priced source of capital and this is why we've been using that essentially to refinance the hybrids.

I agree that we have sufficient capital, but this is more of a longer term view. And I think that kind of bringing the average cost down is a good thing to do. If at the end, we cannot use all the capital that we have, we'll remove the more expensive capital first, and there is capital that we’re obviously paying a lot more than the 7% or 8% that we're paying for the 2 issues that we've done in the Swiss and Asian markets in the first quarter of this

Operator

The next question is a follow up from Mr. Michael Huttner from JPMorgan.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

I have 2 questions. The first one is the 50, the loss in life due to lapses, if it carries on at that rate for 8 quarters. And my last slide there is a basically if you had different accounting, you could just treat it as a one off and write off $200 million and have done with it. Is that’s – accounting only allows you to do it "as you see the expense" or is that something would it be bigger number. And then the other very simple question, what has happened so far in Q2? I am aware of zero. I know the tornadoes happened, but I suspect the attachment points and below what you reinsure that maybe something.

George Quinn
Group Chief Financial Officer

So, on the first one -- so if you see the negative impacts -- if you look forward and you see it as negative impacts, that raises a question about whether you have a loss recognition event. The challenge for us Michael, is that you do that loss recognition testing on a segment level. And you take into account all of the cash flows. So if I look at ourU.S. life business, we expect the cash flow of those to be significantly positive even with the impact of those pre-2004 effects. So it’s -- but we are not committed under the rules to recognize the negative economic impact of that particular product. We have recognized already an EVM, so that impact is recognized there, but it's not in GAAP and it will simply bleed out through GAAP over the next several quarters.

I will have to be much, much large, I mean orders of magnitude bigger, so, to drive the risk that we really had a loss recognition event. So, while I appreciate it would be tidier to put in behind us, which is what we’ve done in EVM GAAP really doesn’t permit that treatment. On Q2, I’m going to resist the temptation to give a detailed update on Q2 because obviously we’re not very far in to it. I think the only thing I would say, Michael, is that you mentioned the tornadoes. The -- I think the last year we had a series of tornados and –- clearly Joplin last year in the second quarter and that did cause losses for us. I forget the precise figure, but I think we had I think from the 2 season tornados quite close to $100 million for each series of events. So, I wouldn’t expect that tornados had a zero impact on us, but nor would I expect it to be particularly material. As you say, given the natural retentions that people have and the fact that tornadoes tend to be fairly concentrated, so most of it tends to remain with the primaries but I wouldn’t expect its had a zero impact on us. Otherwise, as you point out from a natural catastrophe perspective so far, it’s been a relatively quiet quarter.

Operator

The next question is from Maciej Wasilewicz of Morgan Stanley. Please go ahead.

Maciej Wasilewicz
Morgan Stanley, Research Division

It’s Maciej from Morgan Stanley. I want to ask about the renewals in April, specifically I think you said that the ability -- your ability to achieve that enormous price improve you did achieve was partly driven by the fact that you’re able to price private layers. I guess more on, if I can just get a bit more color on that and I guess those few things there. What is the motivation of the other side to go to a private lab, for example, I mean is it a relationship thing, is it capacity, is it because they wanted to try to save money because I think that those the broker pricing is wrong or they want to not pay a broker? What is the motivation I guess is the first question? And secondly, what advantage do you have versus other large peers in this business, why didn’t, what’s the competition like in those layers? And is it the high layers that you’re weighing? I guess broadly it’s one question just if you give me more color on the private layer business that you wrote in April renewals?

George Quinn
Group Chief Financial Officer

Okay. And so I'd be tempted to say almost all of the above. I think that the – it's not unique for us, I don't, I'm not trying to give you the impression that this is something that only Swiss Re we can do. But I think given the risks here, given the fact that not everyone is prepared to increase capacity for this particular market in the current conditions, and given our capital strength means it's probably something that we're more able to do than others. And given the price rises we've seen it, for us it makes absolute sense to do this. But it's not unique, there are probably a few other players that can do similar things. And I know I have heard from at least one other major reinsurance company that they do, do this. But the things that drive are the need for the capacity or the support from the client side, the fact that often Swiss Re will invest heavily with the clients and understanding the particular risk. And they would expect to be paid for that. And the question is whether or not they -- the client would like to pay the rest in the market, the same amount at the same time.

So, there are obvious things that they or obvious choices that the client has that typically makes this something that we are quite keen to do. I think if you look over the last few years, I think it falls in general cycles. I think as the market softens slightly, there is less ability to do these things and as the market hardens there's probably more, but certainly we tried to do this wherever possible. I mean, April 1 and some of the benefits of it show up and the renewals.

Maciej Wasilewicz
Morgan Stanley, Research Division

And just one thing that you touched on, I mean could you broadly generalize and say that this is high layer stuff or mid layer stuff or is it facultative or is it generally a broad range of different thing -- different areas?

George Quinn
Group Chief Financial Officer

Yes, I couldn't generalize much I'd be guessing, so don't know the answer to that question I'm afraid.

Operator

The next question is from Mr. Jean-Francois Tremblay.

Jean-Francois Tremblay
RBC Capital Markets, LLC, Research Division

I have a question regarding the expense ratio with the P&C reinsurance business would appear to see reenter this business, there is only two parts of my question, first of all it seems to me that looking back at the historical data you published there is somewhat greater volatility, the expense ratio quarter-to-quarter in 2011 than what we have seen before, not that much, but a bit more. Looking at 2012, for instance, we try to follow that quarter, should we expect similar variations or if there is something else that could limit that volatility the expense ratio. And then point number two, what we're thinking in terms of more long-term, currently believe that the expense ratio is somehow embellished by the 14% see for quarter share with Berkshire that's accounted those the reduction and expenses. So looking out to next year's, when that fee will no longer serve to reduce the expense ratio? Are there any other drivers potentially, that should be taking into account that could help and limit the effect on the dividend the expense ratio from the reduction of that benefit?

George Quinn
Group Chief Financial Officer

So the, yes on the first one, I think you see it particularly in P&C but I think it impacts the other segments too. I don't think you see as much going forward, so the main driver last year is partly actually the incentive compensation accruals. In the past we've had a cliff scheme so that if you achieved certain targets, this appeared at last year various points in the year you can imagine that was the events of the first quarter it was an expectation that we would not achieve the targets so the accruals were reversed and then by about Q3 we had rebuilt the performance and the accruals were reestablished. The schemes that have now been put in place by the Board kind of more longer term and have far less of the cliff feature to them so there is only cut that I discussed with Michael earlier. The kind of more smooth progression. I think last one you see some of the volatility that we saw last year.

On the second point about the, again you're completely correct on the second issue. We have a benefit on the quarter share from Berkshire Hathaway, we have an overrider so the expenses that we pay are a bit higher than the expense ratio, so that means when it's removed you'll actually see an increase in fact in the acquisition cost line. So we if you look at admin and acquisition together you'll see it in the acquisition cost line rather than the other expense line. In reality, there is not a great deal that we can or would actually want to do. I mean the quarter share has been I mean it's good for Berkshire Hathaway and I think it's good for us it's certainly benefited us in made us able to do things that would have been hard otherwise, but the overall benefit of retaining the still profile business, even with the loss of the overrider, outweighs any concern I have about the small -- relatively small increase we're going to see in the expense ratio. If we grew as we expected, if the margins continue to improve, I expect to see it recover quite a bit of that.

Operator

The next question is from Mr. Fabrizio Croce of Kepler.

Fabrizio Croce
Kepler Capital Markets, Research Division

I have only 2 questions, actually. The first one is about your corporate bonds, for the financial exposure is pretty considerable and particularly U.K. and U.S. bank represents in more than 70% of this exposure. So I'm wondering if you could give us the 5 biggest position investments that you have or an alternative even if not preferred, if you could give us the highest exposure and as well, what's the maximal limit to the single position. The second one is about the renewals. There is plenty of attention about this is a plus 14%, plus 17%. Here, the question is you could give us the split up between how these renewals developed for the tricky portfolio and for the excess of loss portfolio, or if you don't have this figure if you could run us the through the typical waterfall, which we use to show in the renewals and how we go from one period to the other having the amount of consult renewals decreased on renewal, and so on, please?

George Quinn
Group Chief Financial Officer

So, on the first one, for reason that may or not be always, I'm not going to give individual names or individual name limits. The firm has a risk management system that specifies country limits, it specifies individual name limits. I think if you look at the corporate bond portfolio, I think overall we have a particular exposure to the Anglo-Saxon markets because it's driven by the life insurance business that we have so, particularly the Admin Re business in U.K. and in the U.S. and the Life & Health business in the reinsurance side that we have in North America.

I think if you look at the overall weightings, I guess in my view, we would be may be slightly underweight financials compared to the rest of the mark on that gross basis. And as you know from time-to-time we do hedge parts of the portfolio using single name CDSs although, I'd also point out that our hedging is point in the lowest level it's been in some considerable time. We actively monitor the names that we have in there. We're not shy about hedging risks if we perceive one of the names to be the challenge for us. We always have the expertise of the third-party asset managers, we've actually managed most of these risks on their behalf and it's an exposure that we are comfortable with. And if I think we would believe that from a corporate bond portfolio, I think we discussed great things but we are overall waiting of a corporate trader. Swiss Re's portfolio, credit in Swiss Re's portfolio is typically much less than most of our peers and much less exposed to the Euro zone than most of the peers.

On the renewals -- the figures we have given today and actually for all of our reinsurance book so, all of our treaty coverages, which of course will include the excess of loss and we don't give the waterfall we've given in the past for the reasons that, and I gave in answer to an earlier question, that the challenge being that there is no clear definition of what's canceled or -- so for example if I've got a contract with the client and I've changed the retention, changed the commission that a new contract or is it cancellation or restructuring of an existing one. So what we prefer to focus on is the absolute change in price adequacy, we think it gives you a better view of the overall beginning to end rather to focus on the price change on the piece that we've renewed. So, we don't provide that waterfall breakout anymore.

Fabrizio Croce
Kepler Capital Markets, Research Division

And sorry for following up, but using that old definition, if you would say we would say we use exactly old definition. Would you be able to provide this wafterfall this year? And the other one is I understand the story we've not giving out the name, but what is, I mean, why you are not saying how big the business or so how sizable the positions is, which will have a maximum on a single position? I mean what is the risk of this?

George Quinn
Group Chief Financial Officer

So, on the first one, I think it's Andy Broadfield asked me the question earlier and I gave some qualitative comments albeit rather than quantitative ones around the price movement that I perceive on the new business versus the renewal part of the portfolio. And I'm not going to go further than the answer I gave Andy earlier. On the credit side -- we gave extensive disclosures in the appendix to the investor presentation we've given today. And I won't repeat the comments I gave earlier but the way that we invest but I don't intend to start giving out individual names of individual investments. It's not done.

Operator

[Operator Instructions] The next question is a follow-up from Mr. Thomas Seidl of Sanford Bernstein.

Thomas Seidl

Just two follow-up questions. One on Slide 21 where you provide the nat cat overview. And starting with the contents, what are we seeing here at Investor Day you, I think you restricted yourself to the nat cat XL of loss business? Is this now the complete picture on the nat cat or again something focus on the nat cat excessive of loss business? And the other question was I think I heard in your video that the motor reserve increase in Italy is minor, I still would be interested to hear what's that it was the cost as it increase and if there is more likely to come?

George Quinn
Group Chief Financial Officer

Okay. So on the first one Thomas, the figures on 21 are all of nat cat and not just the excessive loss. On the motor change, I don't have the gross change in motor reserve. It was baked into the figures I gave in response to the other question, about $30 million positive impact from casualty overall, so motor is some piece of this, Italian Motor is some piece of this, and would I expect to see further changes it is always a risk but as we always do we try and estimate and set the reserves according to our view of best estimates. So that would imply that today we don't expect further changes but they are always possible.

Thomas Seidl

So on the nat cat is includes thereof the nat cat business is part of larger property or whole account treaties?

George Quinn
Group Chief Financial Officer

Right, this covers all of nat cat.

Operator

We have a follow-up question from Mr. Michael Huttner of JPMorgan. Please go ahead, sir.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

I'm just -- would you figure if we had the same as last year in Japan, how much should it cost now?

George Quinn
Group Chief Financial Officer

Is that the only question Michael?

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

That is the only question.

George Quinn
Group Chief Financial Officer

I don't know the answer to that question. That would obviously more expensive than it was a year ago given we've taken more risk, but I don't have a precise figure. I think one of the things I'd rather give you complete non-answer the thing that we do, do if we haven't done it yet, but we traditionally do with Q2 is that we provide the, I guess the return period exposures for the various perils in Japan will show up and as part of that so I'll be in a position to answer your question more appropriate as I get to the Q2 disclosure.

Michael Igor Huttner
JP Morgan Chase & Co, Research Division

But it doesn't follow linearly from the 40% figure you have kind of gains?

George Quinn
Group Chief Financial Officer

I will not expect it to follow linearly.

Operator

Gentlemen, at this time, there are no more questions registered.

Eric Schuh
Former Head of Investor Relations
Alright, thanks very much everybody. And if you have further questions, please feel free to give the Investor Relations team a call. I'd like to thank everybody for listening and we'd like to close the call. Have a good weekend.