S&P Global
Market Intelligence

Swiss Re AG SWX:SREN

Earnings Call

Thursday, August 22, 2024 1:00 PM GMT

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Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's Half Year 2024 Results Conference Call. Please note that today's conference is being recorded. At this time, I would like to turn the conference over to Andreas Berger, Group CEO. Please go ahead, sir.

Alexander Andreas M. Berger
Group Chief Executive Officer

Thank you very much, and good morning or good afternoon to all of you. Thanks for joining us today. I'm very happy to join you for my first results conference call as the group CEO of Swiss Re. You know that I started officially first of July. I can just repeat again, it's a real privilege, and I'm excited to lead this remarkable organization with more than 160 years of rich history under its belt.

So before we dive into today's results, I'd like to share just a few introductory thoughts on what I believe is important for the next months and quarters. The message is, the key is to reinforce the positive momentum that we have built. We achieved our financial targets last year and also returned to growing the ordinary dividend earlier this year. Therefore, our immediate goals for Swiss Re remain unchanged. We're fully focused on delivering on our 2024 financial targets, and we're focused on enhancing the overall resilience of the Swiss Re Group.

Regarding our 2024 financials, the strong first half year 2024 showed a net income for the group of $2.1 billion that we published today. And this shows that we're well on track and all our businesses are actually well positioned. But again, a bit of caution. We're well aware that we have a large part of the [indiscernible] still ahead of us and especially in respect of natural catastrophes, we're entering the hurricane season as we speak. And you know, Q3 is the active, the most active part of the year. So we remain vigilant and focused on our goals. Enhancing the Swiss Re Group's resilience is not a day job done in one day, but it's actually an ongoing journey. Swiss Re has always been very resilient in respect of capital strength.

So what do we mean actually by resilience beyond that capital strength? We look at it related to our ability to deliver on our targets and goals consistently. So at the heart of it, it's about successful underwriting and everything that relates to that, in particular, focusing on our clients, rigorous portfolio steering, disciplined underwriting decisions and setting prudent initial loss assumptions that take into full consideration and appropriately informed view of future loss trends. Successfully executing on this will be -- will benefit actually our earnings and the sustainable strength of our reserves. As a result, you can expect we believe this will lower our cost of equity.

The CSP and CEE Re's renewals were actually a very good example of this, showing a consistent portfolio strategy combined with prudent pricing and initial loss picks. We increased our assumptions across the board by 11% on top of the 13% increase last year. We've taken additional reinforcing actions. For example, by having introduced a reserving uncertainty allowance as we reported already on new business across all our P&C businesses. Remember, we started with CorSo earlier and P&C reinsurance now joined beginning of the year. And this more prudent new business reserving approach will obviously benefit to reserving strength sustainably.

With respect to overall P&C in-force reserves, our goal is to sustainably position our P&C reserves at the higher end of the best estimate range. And I will come back to you what this means in detail and where we stand in due course. The most important drivers of success over time will be good underwriting and prudent initial loss assumptions reinforced by the uncertainty allowance we have introduced, and I was talking about it just now. So we believe, in summary, that we are on track and that we are on the right track.

Now in Life & Health Re business, amongst others, we significantly reinforced our in-force mortality assumptions. And that was in advance of the transition to IFRS in 2022 and 2023, with a clear goal to account for potential medium-term pandemic impacts, thereby increasing the resilience of Life & Health Re CFM, the main driver of Life & Health's recurring earnings under IFRS. We are also working hard in other areas to make this company more resilient. You've heard about our exit decision on iptiQ. The iptiQ withdrawal is proceeding as planned. Our first half results include the write-down to 0 of all related intangibles that we held on our IFRS Global Group balance sheet.

Lastly, a few words on our capital management priorities. They remain unchanged. Our capital position is very strong. Our primary focus is therefore on growing the regular dividend based on underlying earnings. And if we accumulate excess capital over time with limited opportunities for deployment, we will, of course, return it to shareholders. After a little less than two months in my CEO role, these are my initial thoughts. You would appreciate that I can't give you a full-blown strategic plan with priorities for the future. We do a rigorous assessment of the current situation, and we look into the future with a positive outlook. So that's the message that I can give to you now. I can only stress again how motivated and excited I am to lead this great company.

And with that, I'll hand over to John, John Dacey for a summary of our half year 2024 results. John, over to you.

John Robert Dacey
Group Chief Financial Officer

Thank you, Andreas. And again, good afternoon or good morning to everyone on the call. I'll make a few remarks about the release that we put out this morning for the half year results under IFRS. First and foremost, as Andreas has indicated, we're pleased with the half year results. The net income of $2.1 billion puts us on track to achieve the full year target of more than $3.6 billion. Also, as Andreas said, we're keenly aware that we also have another two quarters to go, but it's reassuring that all the businesses were contributing to the strong first half results. The P&C Re's first half combined ratio of 84.5% reflects the disciplined underwriting of the teams but also the low large NatCat experience.

While the market experienced insured NatCat losses of USD 60 billion in the first half, the majority of these losses related to smaller events that were assumed by the primary industry. More than 90% of those losses were caused by what we referred to as secondary apparels. As a result of the nature of this cat activity in the first half, our own losses for large NatCat events came in below $100 million. So around $600 million -- that was $600 million below what we might have expected for the first half budget of large NatCat losses.

Given the low amount and the fact that there is some uncertainty of where the ultimate claims will end up, we decided to put up an additional $300 million of IBNR reserves for the current year in the second quarter. This allowance obviously helps in case of heightened loss activity in the remainder of the year, where we seasonally expect larger reinsurance relevant events on average, but also we'll deal with the potential creep of losses that we might have seen in the first half of the year. The more than $300 million of allowance makes up the majority of the $0.5 billion of reserve actions in the property and specialty lines. Within that, we also added a reserve to selected prior year losses, including the Italian hail storms from last year, which we did in the first quarter of this year.

In addition, we increased U.S. liability reserves by around $650 million in the first half. Our share of IBNR reserves remains high and slightly higher than a year ago in this line of business. All these reserving actions are consistent with our ambition to enhance the overall resilience of the portfolio. And looking at new business, in the July renewals, we achieved the premium volume growth of 7%, probably in line with January and April renewals. We continue to focus on the growth opportunities in Property & Specialty, where the premiums grew 11%. We remain cautious on the casualty. And on the most recent renewals, we further pruned the U.S. liability book by 26% year-on-year, bringing the reduction 21% year-to-date.

On Life & Health Re, we reported a net income of $883 million in the first half of the year, driven by our in-force margins and the recurring investment income. Our book benefited from the positive claims experience in the U.S. Although this was more than offset by assumption updates we undertook related to owners contracts, mainly in the EMEA region. Following an overall successful first half of 2024, Life & Health Re is on track to achieve its full year net income target of around $1.5 billion.

Corporate Solutions continues to deliver quarter after quarter with a half year combined ratio now at 88.7%, reflecting a strong underlying business performance. The benign manmade experience in the first half was offset by an allowance for potential claim seasonality, which we would expect later in the year. Corporate Solutions is on track to achieve the full year target again of lower than 93%. Finally, with the announcement we made in May 2024 that we plan to withdraw from iptiQ that Andreas referenced, the group results for one-off impairments of goodwill and intangibles, again, as he said, of $111 million. These will drive the loss for the first half year to $180 million. And that's what's driving the negative result in group items.

The return on investments was strong throughout the first six months of the year with an ROI of 4.0%. The higher contribution of recurring income increased about $300 million year-over-year. While the reinvestment yield for the second quarter stood at 4.8%, continuing to benefit higher interest rates. Lastly, Andreas mentioned the strength of the group's capital position will provide the exact number of July 1 SST with the Q3 results. What I can say at this point of time is that midyear, we remained above 300% from an SST ratio.
And with that introduction, I'd hand it over for Thomas, who will help now get us through the questions.

Question and Answer

Thomas Bohun
Head of Investor Relations

Thank you, Andreas. Thank you, John, and hello to all of you from my side as well. [Operator Instructions] So with that, operator, could we have the first question?

Operator

The first question comes from Kamran Hossain from JPMorgan.

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

Two questions for me. The first one is Andreas. I guess I just wanted to ask another way about priorities. I guess when you took over at CorSo 5 years or so ago, you took relatively dramatic action. That suggests to me that actually kind of given that you've been at the group for some time, you've seen everything that's going on. You don't think there's anything major to do or maybe do you need a little bit more work to do to get to that conclusion. The second question is just on the U.S. liability additions. I think you mentioned IBNR related to Property & Specialty, but you didn't mention that about U.S. liability. Was this newer years or something else or kind of pre-'20?

Alexander Andreas M. Berger
Group Chief Executive Officer

Yes. Let me start with the first question. Kamran, thank you very much. And I got that question a few times already. And I can only stress that the situation of CorSo in 2019 when I joined was a complete different one. We were dealing with a burning platform. The overall business was not really doing well, and that required drastic actions across the board from portfolio pruning to addressing reserves, addressing expenses, the operational effectiveness, et cetera. So that was done, that was fixed. And hence, in 2019, you've seen in Q4, the significant increases in reserves. The Swiss Re Group is not in such a situation. It's not a burning platform. We have a few hot spots if you want call it or focus areas to look into. And I think those are being highlighted. You have been mentioning them, and we are busy working on them.

You've seen that we have taken early actions, call them immediate actions, like the exit of iptiQ. We have -- or we are about to conduct a strategic review of solutions because there was also a problem to achieve a breakeven in the desirable time. And that's something that we did immediately, low-hanging fruits, call it, or quick impact that we could then also bring into the planning for next year. And for the rest, we're still busy doing our assessment for the overall business and look at areas where we can improve in the business, but I'm happy with the results that we have produced so far, which means the disciplined underwriting is something that the teams are pursuing. The portfolio steering is also something that we're doing. And so let's see what the assessment will bring, and then I can come back in due course. But that's all I can say for now.

John Robert Dacey
Group Chief Financial Officer

And Kamran, on the question on the U.S. liabilities. Again, over the course of both the first and second quarters, there were some cases where we got some notifications from primary companies about either new losses or increased size of losses coming through.

And obviously, we took that partly into account. But if I wasn't clear, we did increase the IBNRs in U.S. casualty as well. And as a percent of total reserves that IBNRs have increased in this line of business. With respect to years, the majority of the years -- or the majority of the $650 million went to the problematic years of '14 to '19, a little bit on some earlier years in positions, and we decided to top off some of the late years as well just because of the overall size of the reserves that are sitting there.

And if you think that you're adding to the IBNRs, it would make sense to distribute that also where the physical mass of reserves are sitting. But overall, we saw the $650 million as a way to continue to build our position in the range of what's a reasonable level of reserving, and we remain comfortable at the end of the second quarter with where we've landed.

Operator

The next question comes from Will Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

Kam actually asked most of it. in terms of just wondering about the new NatCat sort of deferral benefit to later in the year, effectively adding a bit of seasonality. Is that something you'll look to do going forward, sort of store a bit back heading into Q3, Q4, if it's been benign. And it's just go slightly at it from a slightly different angle, Andreas.

There's been noise down in the results for a number of years. I mean it's good news is coming through and you're still printing excellent numbers. But these liability reserves have been more than a niggle now for a sustained period. Just understanding what role you played with the Executive Committee in the new reserve setting with extra prudence. And I guess we've got a big balance sheet here. Is it a possibility that you look at a cleanup exercise in order to make sure, as you put it, your earnings are far more resilient going forward? Or is this what we're seeing already and you feel we're there now?

Alexander Andreas M. Berger
Group Chief Executive Officer

Yes. Maybe, John, you can take the NatCat question, then I can come back to the second part.

John Robert Dacey
Group Chief Financial Officer

Sure. So well, I think as we're adding up the numbers on Q1. We were frankly surprised at the relatively low set of NatCat losses that we had in the first half of the year, less than $100 million, even though there were a series of events and obviously, we talked about it at the Swiss Re Institute, the $60 billion of industry losses. We also noted that a number of our competitors were putting up larger numbers for some of these events during the first half of the year. I think our view is linked a little bit to the reality that we had on the Italian floods last year that there is some risk of creep.

The fairly remarkable events that occurred, for example, in the Emirates in April, the floods in Brazil, where the reporting legs have been significant, made us think that there's value in setting aside this relatively large IBNR for the potential of late reported claims and we'll see what's required or not required of that amount.

Your question is, should you expect more of this on a going-forward basis? I think the other piece is we're easing into our first year of IFRS and managing the seasonality that is slightly different than the treatment that we had under U.S. GAAP, and as a result, this just seems a more prudent way to move forward. I'm not quite sure but I would not necessarily expect that you'd see the same sort of behavior a year from now but we'll remain cautious, I think, as we go through 2024.

Alexander Andreas M. Berger
Group Chief Executive Officer

Yes. And let me take the second part. You were referring to the actions that we took under my leadership in CorSo. Yes, CorSo [paid] pilots. We have addressed the reserving approach and the reserving philosophy in CorSo at a pretty early stage. We have introduced new tools and new approaches, call it, we changed the context for the people.

We changed the context in the sense of bringing in a smart circle approach, which means aligning all the functions that are relevant to reflect the A versus E discussion, the GAAP discussion. Then we changed the context by saying we start the planning process, the loss pick with the APLRs reserving this view rather than the market view that in itself brings also some robustness already at the beginning of the planning process and the market side cannot retail, cannot override, they can challenge maybe, but need to substantiate it. So that's one view.

And then we introduced a more prudent approach, and we introduced also the uncertainty load in CorSo and gained experience with the uncertainty load and how to deal with it. We have seen seasonality patterns over time so that we also could see that the linear budgets perhaps did not work everywhere. And we saw that we could then in 2023, I guess it was, where we have increased due to claims seasonality towards the end of the year. If we hadn't done this, we would have had huge swings between the quarters. The volatility would have been there. And just to give you a number, between quarter 3 and 4 in a given year '23, there would have been a difference gap of 20 percentage points between two quarters. That's the kind of magnitude you see when you don't address the overall reserving side with the new philosophy.

Now fast forward, this has been then introduced into the P&C reinsurance side. We have also made some changes on the people side. People with that experience were joining them the P&C reinsurance, actuarial team, in particular, the head. And so this methodology was then introduced and the G&C had extensive discussions around that to then apply, let's call it, the pilot trial in CorSo then to the wider group on the P&C business.

John Robert Dacey
Group Chief Financial Officer

So maybe if I could just reiterate. We've shown in the half year results this $500 million to $498 million negative experience variance and others. To be clear, we're doing in addition to these reserving actions, the uncertainty load on the new business in 2024, which we've indicated previously, as Andreas said, had started already in Corporate Solutions, was done on a limited basis in reinsurance in 2023 and now is on the full book.

And so the expectation is that this is going to add in the full year, another net $0.5 billion to reserves during the course of the year. And we're probably have booked, I guess, a rough number, 40% of that in the first half. That's in addition to the reserve additions that I spoke about. So overall, the approach, as Andreas has said, has already adapted materially from the past in part following the success that we found in CorSo and our ability to move that forward.

Operator

The next question comes from James Shuck from Citigroup.

James Austin Shuck
Citigroup Inc., Research Division

My first question is on Life & Health Re. I just -- it's quite a specific question really, but I noticed that the 2Q other expenses line jumped up quite significantly from negative $86 million in Q1 to negative $256 million in Q2. The comparisons that we have in kind of the full year last year was negative $308 million. So we're tracking well above that. I know you previously guided for the sum of other income expenses, financing and tax to be around $1 billion for full year '24. It seems to be about $650 million at 1H. So we seem to be tracking well ahead of that. But if you can just give me a little bit more insight into what's happening there, kind of 1H and expectations for 2H?

And I guess kind of linked to that, if I can squeeze this in. The CSM release in Life & Health Re was a lot higher in Q2. It's $900 million for 1H. So I think previously you guided to $1.5 billion for full year. So again, we're tracking well ahead of that. Maybe one thing is being moved from one side to the other, but if you could clarify. The next question really was really just to drill down a bit more. And I appreciate you want some time and the solvency position is always something under debate. But I think, John, you kind of suggested that you're going to manage the SST to 200% to 225% -- sorry, 250% over the medium term. I think you're kind of over 300% at this point, you just confirmed.

There's a different debate to be had about the flow versus the stock even if you kind of improve the dividend cover on the flow, you still got plenty of room to grow no matter what stage of the cycle we're kind of at really? So really, I'm just looking for some insight into potential uses of capital where you can actually fund growth if the cycle behaves as we think it will, from this point because it's very difficult to see how you deploy that stock of excess capital and kind of what would be most useful as a time frame really for kind of reviewing that.

John Robert Dacey
Group Chief Financial Officer

Let me try the -- what I think might have been four questions, but I'll do my best, James. The other expenses, again, I think, suffer a little bit from our challenge in the comparables for 2023. There was a position that was netted in 2023, and that, by definition, makes the 2024 number look relatively large. The team can give you some more detailed information about. It's not a particular concern for us over time.

In the same way the release of the half year CSM at $900 million, a little bigger than the $850 million that you see between the new CSM that was booked and the unwind, but we expect this to come back to a more normal number. And slide down in the second half to probably a smaller number vis-a-vis the release.

So over time, these things will, I think, have a firmer and more predictable track record, I apologize for the first year in IFRS to have a little bit of noise here, but I don't think it's of any particular concern. And the most important thing in our mind for the life book as we start July 1 with $19 billion of CSM in that life book that we're working with. So we're comfortable that we're able to replenish this on a full year basis, and the expectation is a very modest growth year-on-year in the plan, not a reduction of CSM. The FX impact of about $0.5 billion in the first half of the year was what took it down from $9.5 billion to -- $19.5 billion to $19 billion.

On the SST and capital, you're right. The midterm guidance is to a lower number. I observed a couple of things. One, we're coming in, as Andreas mentioned, to the height of the hurricane season. We continue to remind people that we -- while we haven't had large cat losses in the first half, we do right tail risks and at least some observers have suggested that this will be an active hurricane season. We've seen already three major name storms come through. Fortunately, the damage has been very limited but we're far from over with the year. So I think that's the first thing.

The second, when you think about -- and it seems like a long, long time ago, but the volatility that we saw at the end -- beginning of August in financial markets, and remind you that 50 basis points decline in rates, we'll get rid of 15 points on our SST ratio. It's worth making sure that in a volatile macroeconomic environment, which is what we expect, frankly, between now and the end of the year that we've got the real cushion here. I think at the end, we expect to finish the year. We expect to make it our targets. When we do that, I think the Board will have ample information to be able to make some important judgments on capital.

As Andreas said, we're pleased to be back to growing the dividend, whether there's additional efforts and actions beyond that, will depend on sort of how we close the year and the view forward. But we don't foresee, for example, any capital needs for M&A activities or other things at this point of time. We're simply running a robust balance sheet as we go through the rest of 2024, including, but not limited to, the geopolitical environment that remains volatile.

Operator

The next question comes from Derald Goh from RBC.

Derald Goh
RBC Capital Markets, Research Division

First question is on Life & Health assumption updates. So I hear what you said about having reinforced your assumptions for U.S. mortality. I just wanted to check with because we've seen two quarters now of negative experience variance in EMEA, were those assumptions not reinforced when you did the IFRS 17 transition? Or is it just a case of you building on more resilience on the balance sheet as is the new retro deal as well? Maybe you could also share a bit more details beyond any retro view.

And my second question is on CorSo. So I hear what you're saying that there might be some more claims seasonality, but it looks as though we had a few quarters of favorable manmade. So is there an element of improvement in your attritional that you're not willing to recognize us yet? And also it seems as the expense leverage is coming through. So really what is the true underlying run rate for CorSo's combined ratio against the [sub 92%] target?

John Robert Dacey
Group Chief Financial Officer

So maybe I'll start with the discussion on Life & Health. I think what Andreas referenced in '22 and again in '23, some major increases and when I say major, the -- not tens or hundreds of millions, but literally billions that were added on an EVM basis into our mortality book and some additional critical illness positions across Life & Health. And we felt comfortable that in these major lines we correctly addressed what was some dynamics on the mortality side, in particular, coming out of a the pandemic experience and what we've seen for increased losses on long lives in particular.

And so that remains robust, and that's why we've noted that in the first half of this year, actual versus experience was, in fact, positive. It's just because we've taken the actual versus expected because we totally expected down to a fairly pessimistic view in many markets.

The negative diversions are some very specific geographies where we've evaluated the need for some reinforcements. I don't think it's a worrying trend necessarily, but something that we are addressing and we'll continue to watch out. The reality of the Global Life & Health portfolio is you are sometimes surprised by either mortality or disability losses in specific markets. In this case, when we talk about EMEA, some challenges in the Israeli market and other European markets as well. We're not overly concerned, but we've made the adjustments we think we need to make also on the underwriting side there. The CorSo discussions, happy to take that, Andreas, maybe you want to?

Alexander Andreas M. Berger
Group Chief Executive Officer

I mean, in general, there's still a lot of uncertainty in the markets. And CorSo had, nevertheless, still some NatCat losses. You must acknowledge that CorSo equally, like other primary insurance companies had to increase their net. The attachment points are much higher. So it leaves basically the prime insurance companies exposed. CorSo, in particular, had two NatCat losses that were primary insurance driven and not reinsurance driven. That's the earthquake in Japan, and that's the tropical cyclone in Australia, in particular.

So I think we've got to be cautious. We're entering into the hurricane season. I believe the underwriting teams are doing a very good job in trying to manage the portfolio in a way that they look at the exposures where to take exposures also from a geographical point of view and also from apparel point of view. They also look at the composition of the portfolio. They also look at where are the lines of business that are not correlated with each other. But nevertheless, I think being more on a prudent side, I would say let's wait until what's happening in Q3 and then we'll come back and talk again.

Thomas Bohun
Head of Investor Relations

And Derald, just a minor point to add on the Life & Health experience variance. John explained the negative variance, which is -- which relates to assumption updates on onerous business that goes through P&L. On Slide 11, you have assumption -- a change in assumptions in the CSM, so for future service, and that was positive. So there is an offset but one affected onerous contracts going through P&L. The other one benefits the CSM. So there is a certain offset, not a full offset.

Operator

The next question comes from Faizan Lakhani from HSBC.

Faizan Ahmed Lakhani
HSBC, Research Division

The first one is there seems a consistent theme in your press release and what you said earlier about a delivery of consistent results and building resilience. I guess on that theme, how much of the positive or better-than-expected results are you willing to let flow through to the bottom line? I guess, in part on the same note, if we were to get a budgeted loss in H2, would you unwind the NatCat prudency put in H1?

Second question is on the P&C Re experience between Q2 versus Q1. Obviously, very strong kind of results, but I can see the CSM is lower for Q2 versus Q1 and even you do on a normalized basis appears to be operating slightly worse. Maybe you could just explain why that might be and how we should think about the earn through of the prudent load on the initial loss picks going forward?

John Robert Dacey
Group Chief Financial Officer

Yes. So Faizan, I'll answer the first one. I'm not quite sure I understand from the numbers of the second question, but let's see where we can get to. On the first one, we've got a NatCat budget, which is $1.8 billion for the full year, even maybe a little bit higher than that with the most recent renewals, $700 million in the first half, and so the remainder is sitting there for the second half losses. Our ability to absorb a major event is substantial in multiple events and still be within the budget for H2. When you think about the unwind of what we set up, I mean we set up these reserves in property in the current year for evaluating what might be required.

We purposely chose not to drop them into the P&L because we, again, have some recent experience of creep on cat and late reportings that we wanted to be sure that we were protected against. But we'll see how the year goes. But as Andreas said multiple times, we are committed to deliver our $3.6 billion of net income. And I think you should expect that we will work very hard to be sure that, that occurs absent some truly cataclysmic events, which prohibits us from even trying to get there.

Thomas Bohun
Head of Investor Relations

Could you maybe just repeat the second question?

Faizan Ahmed Lakhani
HSBC, Research Division

Yes. I guess the CSM for Q2, specifically on P&C Re is lower than the Q1 CSM release and I'm assuming that's because the experience isn't quite as good in Q2. So I just want to understand what's going on there and how the experience differs between the two quarters.

Thomas Bohun
Head of Investor Relations

The CSM release in the insurance service results?

Faizan Ahmed Lakhani
HSBC, Research Division

Yes.

Thomas Bohun
Head of Investor Relations

There's a slight difference that we see. Maybe we can take this up after. But one of the drivers would be that we have an increasing impact of the uncertainty load, which is NatCat already in the CSM release. So as we said, most of the $500 million post-tax impact that occurs this year would accumulate over time.

And given that we have just introduced it, you expect increasing impact each quarter. But if we didn't fully answer your question, let's follow up on that.

Operator

The next question comes from Vinit Malhotra from Mediobanca.

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

Many of my questions have been addressed. I just got maybe one on NatCat, please. So even if I go back last year second quarter, there had been a surprise in the lower NatCat relative to your other reinsurance peers. And at that time, there was this discussion around how your underwriting has helped. Now when I see this quarter for 2Q numbers, a bit below $100 million. And then I hear the comment about the $300 million reserves being certified. I'm just curious, which of these two scenarios is at play here?

Scenario A, that your underwriting was quite selective about secondary perils. And hence, you've recorded much lower cat losses and peer group. Or Scenario B that you have recorded less than $100 million, but also you recorded this additional $300 million because these could be probably losses which do need to be there. So I'm just curious about this quite stark difference between the peer group and yourselves on NatCat loss in Q2? And just on the similar theme if I -- because I might have reduced the second question. The U.S. casualty, again, the higher IBNRs are welcome. I just wanted to know was there any external trigger you noticed? Or you just thought because you had a good period of time in any loss or cat season. So it's an opportunistic reserving probably. So just curious on the logic behind the U.S. casualty.

John Robert Dacey
Group Chief Financial Officer

Okay. Vinit, I'll do my best. On the NatCat experience in the first half of this year and you referenced Q2 last year, I am pleased that you didn't reference Q1 last year because Q1 when we had the losses on the Turkey earthquake, I think we were a little bit outsized for the losses, at least when we first reported. So that was a big event.

But I think there is real discipline in our P&C Re team to remove themselves from the high-frequency events, a nearly complete removal from aggregates reduction in the quota share positioning. And so we're sitting there on excess of loss layers where we think we're well rewarded for taking real tail risk, and there just weren't many big events when you go through.

I mentioned the floods and the Emirates and the Brazil floods. On the German floods, actually, there were some floods here in Switzerland as well, the New Caledonia riots, these are all important losses for the primary industry that Swiss Re at least with what's been reported to us did not see making our $20 million hurdle, which would have put them in large losses. So the first 2, Brazil and Emirates are in, but none of the other pieces that came through in Q2 and what we see in the Q3, 3 named hurricanes. Fortunately, none of them doing a dramatic damage, but we've been relatively lightly touched. The one Debbie will have some losses coming out of the Canadian Caribbean book, but we'll see where that gets to as an important piece.

So I think there is real quality in the underwriting and a removal from frequency layers at Swiss Re is demonstrating some distinctive activities here. And we're also growing that book. So it's not that we're shrinking the greatness on property and NatCat, we are writing more of this business as we continue to increase prices at each renewal round. So that's, frankly, feeling pretty good. With respect to U.S. casualty, as I mentioned, there were some pieces of information coming from the primary industry. There were some notifications about more significant losses during the first half of this year, and that's made us think harder on some of the sublines of umbrella casualty and commercial motor, which continues to be problematic within U.S. liability, there might be some other places as well.

But we saw the opportunity to reinforce the IBNRs in these lines and effectively took it. So $650 million is a big number, we get that. But we also get the combined ratio in Q1 was 84.7%, and the combined ratio in Q2 was 84.4%. And for the half year, 84.5%. And our net income at $2.1 billion leads us on track for hitting these financial targets and with a strong first half performance. So that's the way that we're evaluating the positions and will continue to look to be sure that those targets are achieved. Thank you, Vinitiate. Are there any more questions?

Operator

We have a question from Darius Satkauskas from KBW.

Darius Satkauskas
Keefe, Bruyette, & Woods, Inc., Research Division

Two questions please. Andreas, are you able to disclose how much of the $650 million in reserve additions were IBNR versus case? And then also, you used to show this helpful slide where you would disclose P&C Re business lines combined ratios that you recently dropped. Would you be able to disclose what the casualty combined ratio was in the first half compared to property, for instance? And then lastly, when should we expect to hear about the outcome of your assessment, Andreas.

John Robert Dacey
Group Chief Financial Officer

Sorry, I missed the last one, the outcome of...

Alexander Andreas M. Berger
Group Chief Executive Officer

My assessment. I can take that at the end, yes.

John Robert Dacey
Group Chief Financial Officer

So the way to think about IBNR versus case is IBNR's have increased as a percent of the total. And so I think you should assume that these additions have reinforced that position more than any specific case. And even within case, there may well be some difference -- I mean there's clearly a difference between paid claims and some assumptions around a higher ultimate that may or may not prove itself out. So I'm comfortable that this remains certainly in part prudential in terms of the reserving.

With respect to subline combined ratios, we'll clearly deliver that for a full year. I think what I could tell you is any time you add $650 million to reserves, it's going to be an ugly number. But I think the question is what's going on in the underlying. And there, we take some comfort from the continued price increases that the primary industry is getting in these lines of business. But again, on our renewals, casualty is one of the places that we're putting the largest load for sustained on risk in casualty. And so those price increases are materially up. Andreas mentioned the casualty has shrunk on the renewals, but that premium shrinking of 3% underestimates the exposure shrinkage, which is clearly double digits at this point. And so we continue to believe that we're getting better pricing for the risk that we stay on here. And if we can't get that better pricing, we walk away, and that's what we've been doing.

Alexander Andreas M. Berger
Group Chief Executive Officer

On your last question around the assessment that we're conducting. I did my listening tour. I got external feedback and internal feedback from colleagues. I processed it, had first working at hub offices, shared it with my colleagues at the group Executive Committee with the Board. Next week is an important date. All Managing Directors of the group will come together. We'll discuss those hypotheses and then there's a tunnel meeting and then we're working on the findings. So give me a bit of time, and I'll come back in due course. But the main focus for this year is really to deliver on the targets.

The teams also need to focus to deliver on the targets, not to get distracted and also obviously to increase resilience, as we said. I will come back to you, and I'm excited to have that process, that discussion with the colleagues, and I'm very excited actually about the outcome.

Operator

We have a follow-up question from Vinit Malhotra from Mediobanca.

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

I'm sorry, I didn't mean to come back to [indiscernible]. Just on the Corporate Solutions, and I'll add one follow-up, please. There was no mention of the U.S. tornadoes, the severe connected storms, which were quite a topic in the industry, I'm quite surprised like Corporate Solutions didn't have any problems there or any losses there. And also in the same line, the 88.7% goal of 1H with benign manmade. I understand there might be seasonality. But was there any other reason to expect something much worse in the second half from this business?

John Robert Dacey
Group Chief Financial Officer

Yes. So on U.S. tornado, there was one double-digit loss associated with, I think, derecho storms in Texas. But most of the rest did not directly affect Corporate Solutions. Andreas mentioned, the cyclone in Australia, Noto earthquake in Western Japan, and there were some charges for the flooding in Brazil and CorSo as well as in reinsurance. But in spite of the relatively large property book, I think, again, some smart underwriting keeping properties out of the highest risk areas has improved CorSo's abilities here to withstand these sorts of events. And I apologize, there was a second question, which I've forgotten.

Thomas Bohun
Head of Investor Relations

What to expect in the second half in CorSo.

John Robert Dacey
Group Chief Financial Officer

The second half in CorSo, I'll jump in and let Andreas correct me. I -- this book is performing very well. And prior, I don't think there's a reason for us to think the second half will be particularly bad, that there are exposures and the same NatCat positions, as Andreas said, the reinsurance got expensive for CorSo, too. And so there are some modest increases in net positions and nothing dramatically different. But I would expect a solid performance in the second half of the year. So anything that would be above 93% would be very, very odd for H2. I can't guarantee that it will be below or at 87% again, but maybe that the new CEO of the group puts pressure on the new CEO, of course, to perform strongly.

Alexander Andreas M. Berger
Group Chief Executive Officer

I mean what I can say is -- and again, this is the experience that we had from last year that in Q4, in particular, the notifications went up dramatically for losses that were -- Q1 losses actually, not only in NatCat, but actually in particular on large manmade losses. This is something to watch. It could repeat itself. It is somehow also a pattern in the industry. Now we've catered for that, so that's good.

The second topic that I wanted to raise is the allocation of cat budgets will be done on a very granular basis. So people really look at where to deploy the capacity, where to write the business, and it seems to work. So the portfolio steering seems to work equally on property, on a very granular occupancy basis. Budgets are being allocated to the different underwriting teams. And somehow, the team seems to do a good job there. So I hope that they can keep up the good work here.

Thomas Bohun
Head of Investor Relations

Thank you, Vinit. Do we have any final questions?

Operator

Gentlemen, so far, there are no further questions.

Thomas Bohun
Head of Investor Relations

Thank you very much. Thank you to everyone who joined the call and for your questions. As always, if you have any follow-up questions, please contact any member of the IR team. With that, thank you again, and have a nice rest of the day.

Operator
Thank you all for your participation. You may now disconnect. Goodbye.