S&P Capital IQ

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Swiss Re Ltd SWX:SREN

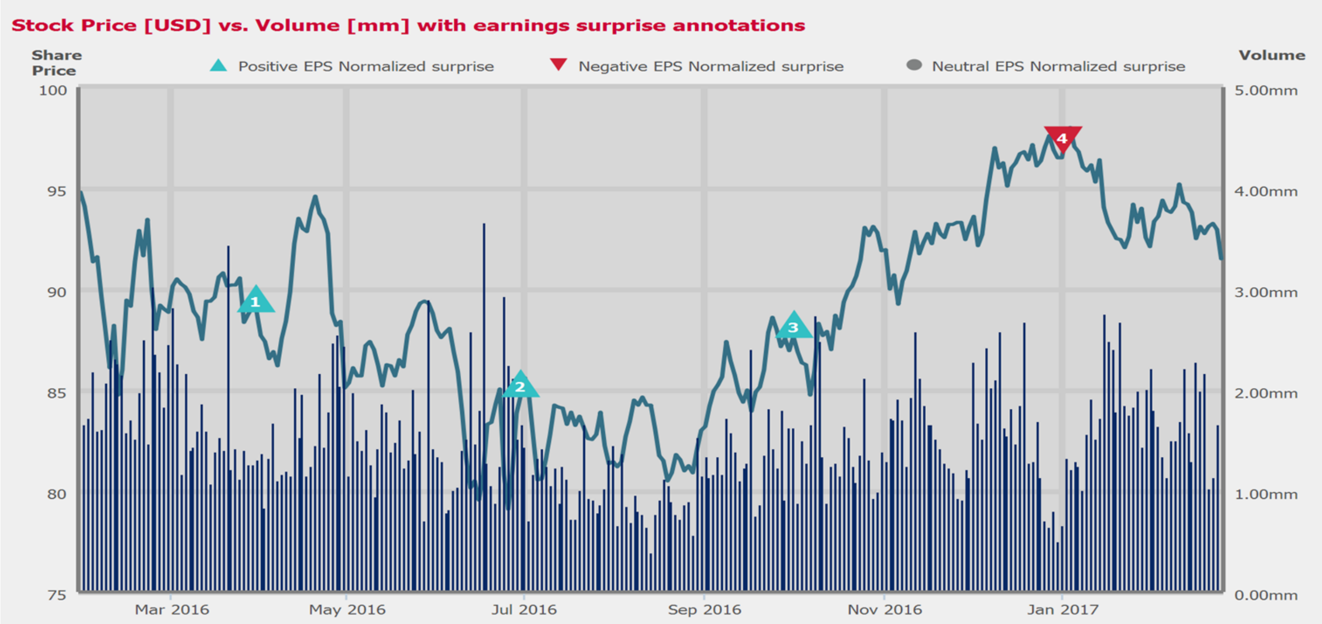
FQ1 2017 Earnings Call Transcripts

Thursday, May 04, 2017 12:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2017-	-FQ2 2017-	-FY 2017-	-FY 2018-
	CONSENSUS	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.87	2.19	8.60	8.90
Revenue (mm)	7974.15	8517.29	33438.94	33998.80

Currency: USD
Consensus as of May-04-2017 9:01 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2016	2.53	3.48	37.55 %
FQ2 2016	1.75	1.77	1.14 %
FQ3 2016	2.79	3.23	15.77 %
FQ4 2016	1.94	1.53	(21.13 %)

Call Participants

EXECUTIVES

David A. Cole
Group Chief Financial Officer

Philippe Brahin

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Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's conference call on first quarter 2017 key financial. Please note that today's conference call is being recorded.

At this time, I would like to turn the conference over to David Cole, Group CFO. Please go ahead.

David A. Cole
Group Chief Financial Officer

So thank you very much. Good morning or good afternoon, everyone, and welcome to our first quarter results conference call. I'm here with Philippe Brahin, as you all know, our Head of Investor Relations.

Let me start with just a few remarks on the key figures we published this morning under our adjusted format and scope. Swiss Re started the year with a solid first quarter with a net income of USD 656 million. All business units contributed positively to this result. P&C Re reported an ROE of 10.8%, despite the impact of Cyclone Debbie. Our reserve strength remains intact. We experienced positive prior year development across all lines of business in all regions.

We maintained our underwriting discipline in ongoing difficult P&C pricing environment. Premium volume in our April renewals was down 2%, and our year-to-date risk-adjusted price quality remained at 101%. Life & Health Re maintained its track record of good performance with an ROE of 11.6%.

Corporate Solutions also reported solid results with an ROE of 10.1%. Life Capital delivered a strong cash generation of USD 336 million. As expected, the large one-off realized gains in Q1 2016 did not repeat this quarter and ROE of Life Capital was 3.9% for the quarter.

The group also benefited from the strong contribution, stable contribution of our investment portfolio with an ROI of 3.4% and a relatively stable running yield of 2.9%. And finally, our 2017 group SST ratio increased slightly, just slightly up to 262% and remains comfortably above our respectability level of 220%. Our 2017 ratio reflects the previously announced changes in the Swiss Solvency regulation.

With our capital position, we remain well-positioned to execute on our capital management priorities.

And with that, I'll hand over to Philippe who'll introduce the Q&A session.

Philippe Brahin

Thank you, David. And good day to all of you also from my side. So as David mentioned, and as we previously announced, we have seen that we have adjusted format and the scope of reporting for Q1 and Q3 to focus on a longer view of our performance. So as we mentioned to many of you already this morning, today, we will comment on the key figures as reported in our press release, and we will provide qualitative context of important underlying trends. We will report full sets of financials and the usual quantitative details with our first half and full year results.

Also, before we start our Q&A, I would like to remind you to please restrict yourselves to 2 questions each and register again, if you have follow-up questions.
So with that, operator, could we please take the first question?

Question and Answer

Operator

[Operator Instructions] The first question is from Guilhem Horvath from Exane BNP Paribas.

Guilhem Horvath
Exane BNP Paribas, Research Division

The first one is, would you be able to give us a little bit of quite achieved elements on the evolution in terms of underlying loss ratio both in P&C Reinsurance and Corporate Solutions? Because you mentioned in the press release that, the natural catastrophe was partly offset by a favorable prior year developments in P&C Re, and I'd like to know how much and in Corporate Solution, if this was the case as well? And the second is on Ogden. We saw some impact in many of your competitors. I like to know if you saw a negative impact from Ogden as well, and if you offset that somehow by releasing reserves anywhere else?

David A. Cole
Group Chief Financial Officer

Okay. Thanks for both questions. I'll not go into a quantitative further detailing of our combined ratio and loss ratios. As you've seen in our release on the -- on P&C Re, we had a very broad-based, I just referred to it as well across all lines of business, all regions, a prior year positive development. I think it's again an indication of the quality of our book and some of the trends that we've seen over the recent years simply have continued without significant change. We had, of course, a large Debbie loss, which impacted P&C Re in the quarter, $320 million, net of retrocession pretax. Other than that, really no large nat cat losses, actually very low losses more broadly outside of the large nat cat losses as well. On the Corporate Solutions side, also an impact from Debbie in Q1, $30 million, net of retrocession and pretax. Did have some negative prior year developments. Nothing I think, suggesting that the quality of our reserving or the process around our reserving is somehow suspect or weak or we've changed it. Just nature of the business where some of the losses come in a little bit late, and therefore, they get booked as PYD, prior year development. Overall, for both of the units, we're not changing anything in terms of the estimates that we've provided at the beginning of the year. We're 1 quarter in. I think, the first quarter has developed to our satisfaction, noting that from time-to-time, we do have the large losses, it's part of our business.

The overall portfolios have performed very much in line with our expectations. And I think, given the circumstances, have delivered a very satisfactory result. Ogden, yes, I've also watched and see how others have now been reporting. Some people included in 2016, as we did. Others for different reasons, I guess, needed to include it in Q1 of 2017. I'm not exactly sure what drives that, so maybe it's just where people were with the close of the 2016 year. But we were able to pick it up as part of 2016. And as we previously indicated, looking at the change in the Ogden rate, other impacts, we were able to conclude it very nicely within our existing reserving margins, and our overall reserving margins remain quite prudent, quite strong. Nothing really has changed in Q1 from our point of view. Obviously, we continue to have dialogues with clients, follow just our normal reserving process and claims process. It remains a relatively uncertain area, uncertain vis-a-vis, what the U.K. government may do. They've announced they were going to review the situation, but we don't know exactly what they'll do. Uncertain terms of our behaviors will actually develop with propensity to take lump sums versus the annuities, subject to change, as things like these discount factors change. Pricing levels will, no doubt, change in the U.K. market. I think, it's probably worthwhile for me to conclude on Ogden just by reminding everyone, as we said earlier, I think in March, that overall U.K. motor reserves represent only about 2.5% of our P&C reserving base. We have extremely well-diversified book. We have had and continue to have, I think, a prudent reserving approach. And so we'll continue to follow those developments in the U.K. We had already adjusted our involvement in the U.K. going back to 2011 or so, and we're -- a handful of years ago, when the move to PPOs became more prevalent. So from our point of view, we remain well-positioned, comfortably reserved, and now we're just engaging with our clients as part of a normal ongoing process.

Operator

The next question is from Edward Morris from JP Morgan.

Edward Morris
JP Morgan Chase & Co, Research Division

Two questions, please. First is on the Life Capital. Gross cash generation looks quite high there and ahead of the sort of run rate that we would have expected. So can you just let us know if there is anything specific that drove this? Presumably there's some relatively one-off factors in there, but some commentary about that would be helpful, please. And secondly, on premiums, I see quite a large year-on-year reduction in Q1. I see your comments about the Chinese quota share. Can you just remind us around phasing of things like the large quota shares and also the tailored transactions that you did last year, and potentially, any sort of pipelines for tailored goes this year for what that might sort of look like for the full year? Or is there anything seasonal we should be aware of?

David A. Cole
Group Chief Financial Officer

Okay. Thank you. Both good questions. The second one may take me a little while to answer, but let me start with the Life Capital question. Yes, we reported in Q1 gross cash generation of $336 million, sure very satisfied with -- 2 real contributors to that. One is just the underlying performance of the business is very much in line with our expectations, perhaps even exceeding our initial expectations looking at the existing business plus the business that we got on board with Guardian. So the underlying business is performing to our satisfaction, that's comment number one. Comment number two, and this is not the first time that you're seeing this. In Q1 of each year, we finalized the statutory valuations of our reserves, and then we do a true up. In this year, Q1, just as we've had in previous years. In Q1, these true-ups have led to a positive one-off. Both elements, I think, are sustainable.

I used the word one-off, but I think, we continue to apply a prudent approach to the way we look at our reserve, prudent approach the way we determine our capital position. And so I think, the $336 million generated in Q1 is not something I would suggest you, put into any sort of models for every quarter going forward. But I think it's a strong testimony to the recurring strengths of the underlying business and the attractive cash generation that's coming off of the business. One final thing before I move on to second question. In U.K., we didn't really have a whole lot of moving interest rates in Q1. And that's sharply contrast to what we saw last year, where in Q1, rates moved down significantly. Q2 likewise. Q3, they moved down, but to a lesser extent. Then in Q4, they actually moved up as did a number of other rates around the world. This also has the impact on the level of gross cash generated. Basically, a decreasing interest rate environment, at least, a lower cash generation versus higher level of interest rates would lead to a higher level of cash generation. But as we indicated throughout the course of last year, we were managing the overall sensitivity to that interest rate exposure during the course of the year. Having started off the year with a relatively higher exposure as a result of bringing on board the Guardian transaction -- the Guardian portfolio and then transitioning it to our ownership during the course of the year. We continue to do that, continue to optimize.

I think, relative to what we saw in 2016, I just reconfirm that, we would expect the same degree of volatility. We may still have some volatility there depending on what happens with interest rates. But the overall impact I would imagine would be significantly lower than what we saw in 2016. On to your second question. So yes, you picked up reductions in premiums more pronounced with the January renewals than in the April renewals. Big part of this is just the presence or absence of large transactions. We indicated beginning of last year, that we had indeed successfully closed a number of large transactions, not a single transaction, but a number of large transactions. We indicated at that time that those are chunky. They're not predictable. We have a very attractive pipeline. We have very active dialogues with the customers, but that's not the kind of thing that just very neatly falls in a linear fashion, either in conjunction with the renewal schedule or even for that matter, along a quarterly basis. If I look at this year's results, outcome of renewals and situation vis-a-vis transactions, we simply don't have in this reporting period, the same level of new large -- large new transactions that we had last year.

And indeed, we have reduced some of our capacity allocation in markets where pricing levels have continued to trend down to a level that no longer meets our return requirements. And then finally, as you referenced, indeed in China, as expected, primarily driven by the change in the regulatory structure there, some of the previous large quota shares that we had, simply no longer makes sense for our clients. So that -- of course, those types of structures perhaps will be more premium than risk in return, but they do have the disproportionate impact on the -- those premium written line. Final thing I will say is that, net earned premium is pretty much stable with last year, just reflecting the solid high-quality impact of the business we've previously written. Our pipeline remains, I think, quite healthy, but difficult to predict, exactly when transactions may occur. I can tell you that our clients continue to be very engaged in speaking with us about possibilities that we may have to help them grow their business.

Operator

The next question is from Daniel Bischof from Baader-Helvea.

Daniel Bischof
Baader-Helvea Equity Research

Two questions from my side. First one on Life Capital and the open book business. I mean, it seems to grow quite nicely. Could you provide an update here? [indiscernible] many comments from group life and individual life, and could you maybe also talk about the launch of iptiQ in the U.S., and your expectations there? And the second one on -- actually a follow-up on the previous question, the cash remittance in 2017. I mean, it was strong with was USD 2.6 billion from Reinsurance, USD 150 million from CorSo. What are your thoughts here when it comes to Life Capital? I mean, gross cash generation was strong last year also in Q1. Are there any reasons we should be aware of why it should not go significantly above the previous year's numbers of USD 350 million to USD 400 million?

David A. Cole
Group Chief Financial Officer

Thanks. So firstly, we have seen good growth on the open book side, which we're very excited about. It's a very attractive market. It's going to, I think, be an attractive market for many, many years, even decades to come, if we just think about projection gap in the areas that we're focusing on. You have to remind everyone this is still a relatively small business for us, and therefore, some of the growth levels just looking at it from a percentage point of view will continue, I think, to be quite nice. But take some time for them to, I think, reach the overall level where you really start seeing it move the needle. But we're investing in this business. Even though, it has a negative impact, of course, on our short-term reported earnings, it's not surprising thing about the type of business that we're building, but we think it's a very attractive opportunity. So your question was about the underlying components, and I can tell you that for Q1 2017, both group life as well as individual life continue to show a good growth, development's in line with our expectations and in line with what we had communicated at the end of last year, around our Investor Day. iptiQ U.S., we're absolutely up and running now. We were successful in actually getting our first policy over the line already at the very back end of last year, which I think was tremendous delivering on behalf of the team.

It's still very early days there, but we see also a very attractive market for us in the U.S. We'll be coming back to these developments on a regular basis, I would imagine over the course of not only the next several quarters, but over the next several years. As to your second question on the forward-looking statement on dividend levels from Life Capital, so first, let me just confirm that indeed, Reinsurance paid USD 2.6 billion dividend during the course of Q1 up to the group, and the Corporate Solutions USD 150 million in line with our expectations. They've also seen that in some of the financials they reported at the end of 2016. Life Capital for a number of reasons, basically, having to do is going through the proper process there, internal governance process, finalizing the true-up that I was just referring to in terms of the statutory valuation, then also going through the process with the regulatory bodies. We have over the course of last several years, as you'll see if you look back at our reporting, dealt with dividends from the Life Capital unit during the course of Q2. And that's what I would expect to do this year as well. I won't make any forward-looking statements about the level of dividend in Life Capital other than just indeed to confirm that the cash generation there has been very much to our satisfaction. And I hope to be able to report something to you -- expect to be able to report something to you in the 1st week of August.

Operator

The next question is from Kamran Hossain from RBC.

Kamran Hossain
RBC Capital Markets, LLC, Research Division

Two questions. And the first one is just on the reduction in premiums. How much capital -- does that kind of release much capital fees to you? That's the first question. And the second question, it sounds like you're getting slightly more constructive on U.K. motor and the potential there, after, I guess, a number of years of putting back. Is that a market that might interest you in the upcoming renewals later this year?

David A. Cole
Group Chief Financial Officer

Thank you for both questions. So first and foremost, yes, it's probably a disproportionate reduction in headline gross premiums than it is in capital. Part of that has to do with what I was just describing when I was referring to these large Chinese quota share businesses that were not that much risk involved, therefore, also not that much capital involved. If you look at what we've done with our portfolio rebalancing over the course of the last -- actually, 5 years, and I'm referring then to both sides of our balance sheet, we really started rebalancing our liability portfolio back into 2011, getting in 2012, when we first started talking about reentering the casualty market. And likewise, on the asset side, of course, we rebalanced during the course of 2012, 2013, 2014, now pretty flat. Now what we're seeing now with the premium developments, I think, it would be fair to say is, indeed more disproportional impact on headline premiums than I think capital levels.

In terms of your second question, yes, constructive about U.K. motor. I'm not sure anyone would -- well, I think, people would perhaps question a little bit my sanity if I started talking too constructively about U.K. motor. I think it's still a very challenged space, still quite a bit of uncertainty in terms of how the U.K. government would like to address some of the perceived challenges associated with the current process of determining these discount rates. I've seen some indications in the marketplace that clearly as a result of the change in the discount rate, pricing levels for a number of segments in the market will need to adjust. That seems to me to be a rational approach. I think, it's important for you to recognize that we remain, of course, engaged with our U.K. client base, trying to look at things with a very rational set of perspectives in terms of the attractiveness of the business. But there's still a lot of uncertainty there. I'm not exactly sure when the U.K. government will be in a position to give additional clarity regarding potential measures they wish to take. I'm not sure, to be honest, what impact the snap election now at the beginning of June will have on the process of that review. So I guess, this is a space we're going to have to continue to watch before I would be willing to start using the word, constructive.

Operator

The next question is from Vinit Malhotra from Mediobanca.

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

So one question on Life Capital, please, and one on Life Re. On Life Capital, I was just curious, there used to be or there still is an ROE target out there. And you have said, 2 points below that, quite obviously, gross cash generation is very strong. Is there anything that you would like to point out, David, in these numbers which would suggest a gap or a bridge between the target and the achieved ROE on Life Capital? So that's the first question. And second question is on Life Re. The commentary says that, there were a few large claims in the U.S., and also that the investment income was stable. But obviously, you're still achieving almost the top end of the range of target on ROE. So is it that -- is this an indication that where investment income to be slightly better, and if life -- if there are not too many large claims then we could easily overshoot that as well. Just wanted to get a sense.

David A. Cole
Group Chief Financial Officer

Okay. So I'm not going to start talking about overshooting. I think, the targets are really -- in the case of Life & Health Re, let me start with that one, are through-the-cycle target. Have a look back at Q1 2016, we're actually well over that -- the target range, and in Q1 2017, we're very much in the upper end of the range. When you think of this business as a large, mature, well performing portfolio, from time-to-time, we have some volatility that comes up in the case of Q1 now and in the U.S. mortality book had a couple of large losses. Of course, we can tell just a normal type of blip to be expected. Overall mortality trends are continuing, I think, to develop quite positively. Q1 of last year, we talked a little bit about the fact that we had this positive FX impact, which helped the reported ROE up well above the 12%. This year, we didn't have that type of impact. Investment income here really is driven off of a long-term investment hold to maturity type of an approach. It has a very stable overall contribution, satisfactory, notwithstanding, we have a low yield environment, stable and a satisfactory contribution.

Obviously, if yields start moving back up, then we would expect that contribution to also move up over time. To the way I think, you're saying about the Life & Health Re business is that, we see it as a very attractive portfolio. We have a leading market position. We've been able to demonstrate, I think, good growth over the course of last several years in excess of, I think, 6% or so, compound average. In Q1, it looked a little bit less. Part of that was just FX impact. If you think about the business we would have had in places like the Europe or the U.K., where we had a pretty strong dollar during the course of Q1, that's just noise from my point of view. Underlying business continues to perform very much in a fashion that we would describe as attractive and stable. To your Life Capital comment, so -- yes, let me talk a little bit about the target ROE, which is very much still there. So first, we had target ROEs for P&C Re, which is 10% to 15% through the cycle, for CorSo, which is also 10% to 15% through the cycle, for Life Capital, it's a little bit of a narrower range, 10% to 12% through the cycle. In the case of Life Capital, we said, the appropriate target that we believe for that business is on a medium-term basis, we don't think we're there yet for a number of reasons, which I'll get back to. We think an ROE of 6% to 8% is the appropriate figure.

Now last year, we were well above the 6% to 8%, and we always were quite careful to point out some of the depositors that were coming off of the interest rate environment there in the Guardian portfolio. The underlying target is unchanged, so midterm, 6% to 8%. There are couple of different factors that will determine a little bit the pace at which we get there. We know that the, let's call it for the sake of discussion, the pre-Guardian business was a low ROE performing business for historical reasons. Good quality business, but we had extracted some of the earnings from that around the financial crisis. So we knew it was a relatively stable, but low ROE business, exacerbated by the level of unrealized gains on our balance sheet, somewhere in the order of magnitude of 1/3 of the reported equity is just unrealized gains on this business segment, reflecting the long-term duration of the business, and therefore, the long-term investment portfolio that we have. I hope that that's all clear. We knew that in order to get to a -- this midterm 6% to 8%, we need to manage that business well, continue to improve the efficiency, make sure we have a fantastic operating platform, acquire attractive new portfolios and average that, close life business ROE up. We also have always said that, we really look at a business as an earnings diversification and a cash generation business, that continues to be very true, and I think it's being very clearly demonstrated with results over the last several years.

And there is a final thing that may influence a little bit the timing of that midterm target, and that's frankly, the success we have with our investments in the open life book business. But it's quite clear for a number of, I think, understandable reasons that those investments in the first couple of years, of course, will not contribute positively to that midterm target, but we still think it's a very attractive thing for us to do. So the midterm target stays there. We'll still need to do some attractive transactions in order to achieve that target. And the timing of achieving it will be driven by what happens with unrealized gains, what happens with the timing of new transactions, and of course, the continuing developments on the open book side.

I hope that gives a good context for the midterm target, 6% to 8%.

Operator

The next question is from Thomas Seidl from Sanford C. Bernstein.

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

First question is on pricing with rising interest rates, I guess, net present value of future claims payments comes down. And so I wonder if you see initial signs that appears the market is willing to price in this higher investment income expectation, and this basically refuels some price softening, especially in Reinsurance, which is a lower tailed business than primary insurance, the first question. The second question on investment income. I think you or the CIO mentioned in the most recent meetings that you expect flat running yields, now running yield is down 10 bps, if I'm correct 2.9 in Q1. So I wonder if you could give us an update on what the reinvestments yields are right now? And what it means for the annual outlook on this running yield?

David A. Cole
Group Chief Financial Officer

Okay. Thanks, Thomas. So now I don't see any indication that the serious players out there in the marketplace are now somehow calculating higher interest rates into their willingness to charge lower prices, and I hope we don't be able to be there for a while. We've all been talking about the fact that we expect at some point interest rates to move back up. They were moving up a little bit at the end of last year, but obviously, in the U.K. now they were more or less flat, and in the U.S., perhaps more relevant to some of these discussions, actually track back down a little bit during the course of Q1. So now we certainly are not doing that ourselves. As you know, we price on the basis of risk-free, and we don't extrapolate all sorts of forecasted increases in pricing in order to somehow justify loosening the discipline on our underwriting pen.

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

But I think risk free is up now. I think it's just natural that when you take the protected cash flows on the actuary over the next couple of years, and you have a 20 bps higher yield curve across the whole duration space, shouldn't that lead to, basically, a natural decline in premium.

David A. Cole
Group Chief Financial Officer

No, I don't know about that either to be honest. And I don't know who has a crystal ball on interest rates and where the yield curve is going to go. But now -- anyway coming back to your question, I certainly haven't seen that in the marketplace. Of course, there could be isolated instance, but this is certainly not something that we've seen in a significant fashion. Your second question, as I think, if you hope to accept it in the way I intend with respect, I think, you may have misunderstood what I say or CIO said, so let me just repeat that. He said at the end of last year that we would expect based on interest rate levels that existed at that point in time, that our running yield would be more or less flat with what we had at the end of 2016. At the end of 2016, we reported Q4 2.8% running yield, Q1 2017 reported, 2.9%, so actually up 10 basis points. Now at the time we said -- and we would expect to be more or less stable if interest rates stay where they were at the time that we did that communication. Of course, in the meantime, interest rates have tracked back down little bit. We don't have any kind of antigravity boots, as you know, on the investment portfolio.

So if interest rates track down, that will have pull down running yields over time. It's not a dramatic move, but it will move down if interest rates move up. Then, of course, that will have the likewise impact on the running yield. We're long-term matched player. I think, if I look back not just the last 6 months, so Q4 of 2016 and Q1 of 2017, talk about stability, but just look at underlying net investment income just coming off of back of this portfolio in the running yield, and I think we've been very successful in delivering a stable contribution. And, and this is very important otherwise you could play games, and maintaining a very high quality portfolio. So we haven't been going down the credit quality curve on this, and you see that number of different ways. If you look at the overall composition of our portfolio, look at the level of impairment, and I feel quite confident that will be the case going forward as well. So just to confirm, so the reported ROI in Q1 was up about 10 basis points versus Q4 2016, clearly down from Q1 of last year, but that's no surprise giving overall interest rates lose over that period of time. Expectation going forward is in line with what we have previously said, obviously, we'll be driven off of the direction and the pace of any changes in interest rates. But we will maintain a very solid, very well performing portfolio. And so we remain comfortable with its small volume contribution.

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

But take the -- on the 2.8 at Q4, that would mean that you reinvested 2.8 if you want to maintain 2.8 in '17?

David A. Cole
Group Chief Financial Officer

No, that's not what it means. It depends on the normal roll-off of the reinvestment yield and what not. But what it basically says is that, at the level of interest rates, what we said, level of interest rates that existed at the time of our report on Q4 2016, that if rates stayed at that level more or less that our overall running yield would be more or less stable with what it was in Q4.

Operator

The next question is from Jonny Urwin from UBS.

Jonathan Peter Phillip Urwin
UBS Investment Bank, Research Division

Just two from me, please. So just firstly, on the Cyclone Debbie loss, I know you got the figures out for some time, but I just want to gauge your thinking as to why the market share of that loss was perhaps a bit higher than we were expecting? And secondly, the April renewals were down by just 2%. Obviously, there was much bigger retrenchment at January. I was just wondering why the slowdown in the retrenchment? Apologies if I missed that earlier.

David A. Cole
Group Chief Financial Officer

Okay. I'm going to ask you, if you don't mind, Jonny, if you just repeat the second question. I lost one part of the sentence. So you talked about a slowdown in the retrenchment, but I missed.

Jonathan Peter Phillip Urwin
UBS Investment Bank, Research Division

Yes, sure, sure. So one obviously, you guys pulled back a lot from -- a lot on the premium front in P&C Re, but the April sort of renewals, there was a bit of a slowdown, wasn't it? Just down 2%. So point is that, just due to the renewal mix and the reasons for..

David A. Cole
Group Chief Financial Officer

Okay. Thanks. Now it's clear. I'm sorry, I just missed the first part of your question. So on Debbie, so listen, we're a leading reinsurer in Australia, and we're very happy to be a leading reinsurer there. It's been an attractive market for us. We have excellent client relationships. From time-to-time, losses occur there, of course, and then we fulfill our claims commitment. And we expect to indeed earn it back. So that's the first thing, I'll say. And I think is a very attractive -- has been a very attractive overall allocation of capital. And I would expect that, that will continue to be a market that shows from time-to-time, given the situation, the nat cat losses, other losses, of course, as well. But I think the fact that we have a little bit of larger market share there is because we are a leading -- one of leading reinsurers in Australia.

Two is, this has a little bit to do with the specifics of this storm and where it hit and specific damage there and programs that we were on. Nothing I think, particularly noteworthy there. I mean, there are other storms were from time-to-time other large reinsurers show up with relatively larger shares. I think, those are just somewhat random effects based on the specifics of exactly where the storm hits and does the damage come from surge? Or does it come from wind? Those type of things.

And the third thing is, of course, in addition to our Reinsurance business, we're also active in the market with Corporate Solutions. And you see of the USD 350 million, roughly what is that? Just about a USD 30 million, we estimate will impact our Corporate Solutions. So there are a couple of things there that led to a larger share of the market than perhaps what people would normally expect. It's one of the reasons we actually decided to come out with the ad hoc, because we have a sense that markets indeed wasn't necessarily fully reflecting our market position in Australia. As to the second question, actually, you answered your own question. So we have, of course, been pruning our portfolio on the flow side. And I wouldn't say necessarily that it has moved on a whole lot between the January renewals and the April renewals. Obviously, the April renewals are altogether significantly smaller than the January renewals. I think, probably a larger impact on the overall level of, as you said, to pullback on the premium side or impact such as these Chinese quota shares, which are really a January impact as opposed to anything else.

What I'd also say is that, we continue to apply our approach, which is we're client-centric, but we're also, I think, economic in looking at the attractiveness of the business and engage proactively with clients to allocate our capital to the opportunities with them that give us an attractive return. And if others are willing to provide capacity at levels we don't think are appropriate, then we scale back our participation there. I do -- I also think that our earlier comments about market has been softening, at some point started saying, it's soft. I remember, Matt Weber, describing the market some time ago, as we just use the word, soft. And more or less around that period of time, but subsequently as well, we see that ongoing developments are now -- it's quite clear that there is a stabilization broadly that's taking place here and there, still some minor decreases in pricing levels, very much in line with our expectations. And I guess, that's also not out of line with what you hear from other market participants. And then we have a couple of areas where losses have occurred that we actually see some just price stability, but actually some positive price developments as well. So that's the way I would kind of describe the prospective from April versus the prospective from January, not really a significant difference in view on the market circumstance or pricing developments per se.

Operator

The next question is from William Hawkins from KBW.

William Hawkins
Keefe, Bruyette & Woods Limited, Research Division

David, how normal was the tax rate in the first quarter? As a group and by division? In particular, when I looked at CorSo, the only way I can get to your profit, given that you had a breakeven underwriting results was either by assuming massive capital gains, which seems unlikely, or some good fortune on the tax front? So if you just comment qualitatively on how important the tax rate was against normal? And then secondly, the outlook for CorSo. You're 100% combined ratio included both challenging used on large losses than positive reserve development. So the magical clean figure that you won't disclose, presumably have been a lot lower than 100%. I don't imagine you're going to change your 103% guidance for this year, but the implication is that, the next 3 quarters are going to be 104% or even 105% if your original guidance is still good. So can you talk a bit about how we should think about the break first quarter against 103% expectation you set for the year?

David A. Cole
Group Chief Financial Officer

Yes. Thanks William. No, you're right. You're absolutely, right. I'm not going to go a lot deeper into quantitative figures here for the reasons that we stated. Appreciate the question, but we're not going to do. But I will tell you a little bit about both questions. First, the tax rate. Tax rate in Q1, if you look at is basically just about in line with what we have informed you, you should more or less expect from us. So I think, we ended up just above 20%, 21% for the quarter, which is just about what you would expect, given the Swiss home base, but also the geographic mix of our business, there is always some elements of discrete items is impacted. But overall tax rate for Q1, pretty much right in line with what we've previously communicated to the marketplace. Each of the units has its pluses and minuses, but I won't go into that now. We certainly will come back to it at first half. In terms of the estimate that we've provided, you used a word guidance, but I'm clearly using the estimate as we always do, and which I understand that estimate is just that, an estimate reflects our assumptions about a number of different factors, pricing level developments during the course of the year, business mix developments during the course of the year, the timing of individual transactions that may impact the way these numbers are calculated, if you think about it an annual basis over the course of the year. So you're absolutely correct. I'm not going to update the estimates that we've provided either for Corporate Solutions or for P&C Re at this point in time. I don't think there's really a strong bases for doing that. We recognize both segments, I think, produced good results in Q1. We remain confident about the quality of the portfolio. But there are just too many moving parts just start trying to manipulate this estimate on a quarter-by-quarter basis. These are estimate for the full year. And as when we would see a clear indication that we think there's something that we need to inform you about the estimate, of course, we would do so.

Operator

The next question is from Frank Kopfinger from Deutsche Bank.

Frank Kopfinger
Deutsche Bank AG, Research Division

I have one question left. And it's also on the tax rate, but looking forward. Could you comment a little bit on the impact from a corporate tax rate reform in U.S. so if the corporate tax rate goes down to 15%, what would the impact on your side? And also, overall comment on how big your profit base is overall in the U.S.?

David A. Cole
Group Chief Financial Officer

Okay. Thank you. So first, we're extremely pleased with our U.S.-based businesses. They are significant component of our overall mix. I think, the Americas as a whole is something in the range of 35% to 40%, of which a significant part, of course, will be the U.S. It's a profitable business for us. And we would expect that to continue to be the case. Obviously, you can always have a large storm there that may from time-to-time influence those results. But by and large, it's a meaningful, profitable contributor to our overall results. Yes, what's going to happen to U.S. tax rate, that's a fantastic question. I wonder anyone who knows where they're hiding, because it seems to get less and less clear as we go forward even noting that there's been some communication from the White House recently about what they would like to achieve. It was rather short on details and not clearly -- I'm not really sure what level of support the proposals that have been articulated will gather in the Congress.

It's such a difficult thing, Frank, to say. I mean, there is offsetting possible impacts, no doubt if some form of the border tax adjustment comes in, we'll have to look at the way we structured some of our business, and have to think about what that means for us. The ways that we can manage it, of course, we just need to wait until we know what may happen. If anything happened on that space in order to be able to be respond. If there is a reduction in the absolute level of the corporate income tax, we'll have to look to see what other changes are there in terms of reductions and other things that typically comprise the overall final net corporate tax level. Just looking on face value, a reduction in corporate income tax will on a long-term basis, of course, be a positive for us, giving my comments about being a profitable market for us. Again, we'll have to look to see how those changes would impact existing tax positions that we have on our balance sheet and that could be neutral, it could be a positive, it could be a negative. So a lot depends on how the actual tax reform will be implemented. And from my point of view, it's unfortunate, but it is what it is. It's just too uncertain to say.

Frank Kopfinger
Deutsche Bank AG, Research Division

But do you have DTAs as to what need to be written down in the first step?

David A. Cole
Group Chief Financial Officer

I don't know. I mean, we do have DTAs on our balance sheet. So there's no doubt that there could be a day 1 negative impact, which would then, of course, reflect itself on a longer-term basis, NPV basis in terms of the more attractiveness of the future income streams. But Frank, there's just too many moving parts for us to say, and I could speculate about all sorts of proposals that get floated to from time-to-time. I think for us, it's important to keep a close eye on it, as I'm sure many others are doing, to look to see what actually is able to find its way through the halls of Congress, and hopefully, into a new tax code in the US. And as and when we get more clarity about, we'll think about what specific measures we may wish to take in response.

Operator

The next question is from Andrew Ritchie from Autonomous.

Andrew James Ritchie
Autonomous Research LLP

David, two quick points of clarifications, just from comments you made earlier. First of all, you used the phrase, very low losses outside of nat cat. Is that -- are you implying that the man-made large losses were unusually low in this quarter, I guess, both for P&C Re and CorSo? I'm not quite sure what you meant by that phrase. And the second phrase used, you said that, you had included Ogden in fact in your 2016 results, you were able to pick it up, I think, is the phrase you used. I just want to understand what you mean by that phrase? If I look at the triangles, particularly the motor triangles, there is no discernible change in loss but except for the 2015 year, which I believe is U.S. auto related. Now I guess, I could mean those positive and negative offsetting, but is it more the -- you didn't pick it up in 2016. When you went back and looked at it, you just felt that there was enough margin to absorb the issue. There is not the case you actually took an extra or added to reserves for often, just want to clarify that.

David A. Cole
Group Chief Financial Officer

Yes, thanks. I could give you a very short answer to your first question, which is, yes. But let me see if I can repeat the question. So you asked -- so when I said, there is a relatively low level of losses, does that mean low man-made losses? The answer is, yes. And that applies, frankly, to both segments. So we just -- we had a relatively higher level of nat cat losses and low level of man-made losses in the quarter, random occurrences. As to your second question, yes, we've maintained a prudent reserve in about -- for many years. The developments in the U.K. are not new. We've been watching there for some time. We maintain an overall very, I think, healthy margin on our reserves. Notwithstanding the reserve, the leases that we've shown over the last couple of years for the different reasons that we've talked about, the overall level of reserving has remained quite prudent, quite strong.

So when we looked at the change in the discount rate, we came to the conclusion that the way we thought about our reserves in the past, the different offsetting items there, that is to confirm our conclusion that our reserving levels were actually more than adequate and that continues to be the case today. And of course, we now are in a normal process of looking to see what develops in the marketplace, how our clients are responding to the changes, wrong with them on their new business, the propositions working with them on ongoing claims to come in just as we were in the period prior to the rate change. So we've dealt with it, as I mentioned, overall as 2.5 percentage points of our reserving base. And the changes in the U.K. market are not new. It wasn't that suddenly people discovered that there was called an Ogden rate in -- whenever that it was announced, February or March of 2017. So it's something that we've been aware of for some time. We have, I think, an overall very well established and a prudent reserving approach. And therefore, we're able to, maybe, look at that and say, 'Well, given all of the news that has developed, ongoing questions about what the potential trade-offs would be, the uncertainties or not, we feel very comfortable with where we are reserved." That was margin true on the 4th of May as well.

Andrew James Ritchie
Autonomous Research LLP

That would be why I wouldn't see any real change in loss picks, because it wasn't required essentially with hindsight.

David A. Cole
Group Chief Financial Officer

Yes, as I think about our overall portfolio and our overall reserving levels, and yes, we -- that's absolutely true, there will be some individual components that will move, and of course, will adjust accordingly, but the overall impact is simply within our pre-existing prudent reserving margins.

Operator

The next question is from Thomas Fossard with HSBC.

Thomas Fossard
HSBC, Research Division

Two question on my side. The first one would be -- David, can you or will you be able to comment qualitatively on the AIG issue potentially to put a definitive lines [indiscernible] on an issue or a story, which has been at top of investor mind in Q1, probably is ragging your share price performance in Q1. So any quantitative comments on the process you've been undergoing in Q1 the results? And potentially, I would say, some definitive statement on that. And the second question will be on the SST. Anything you would point out in terms of the moving parts, different moving parts, i.e., RBC or total capital evolution, 2016 versus '15 -- sorry, '17 versus '16? And how we should expect the different components [indiscernible] to evolve going forward?

David A. Cole
Group Chief Financial Officer

Also a request for forward-looking crystal ball. Okay, let me start with AIG. Thanks for asking the question. I was almost going to be surprised, no one asked. And indeed, hope I can somewhat put a line under it now, understand the questions or whatnot. AIG made a number of comments like when they announced some developments on their reserving side, which obviously directed people's attention to Swiss Re. It's a significant client of ours, has been for many, many decades, and I hope will continue to be for many, many decades going forward. Listen, we don't talk about client business. And I'm going to hopefully draw a line on the sand on this one here as well. But since it's been in the public domain, and we responded to it already at our full year results, let me just confirm that we have received ongoing information from AIG. We continue to be in regular, as we would always be, with our large client's dialogue with them about their developments. We've looked at the most recent information we've received for them. We analyzed it in quite some detail as you can imagine, already prior to our full year results, but now also in Q1. We remain comfortable with our overall level of reserving. We know we reserve on a portfolio basis. We're still in early days here. So we'll see how this matures over the next couple of years, but there is nothing that has comes to our attention. And I can tell you we've been paying attention that has led us to adjust our overall reserving levels. We have a number of different activities with different clients in the U.S. market.

Clearly, there is some parts of the market in recent periods. Going back to the end of 2015, even I believe, but certainly during the course of 2016, culminating with the announcements that AIG made earlier this year, that suggest that there is the need to adjust reserving levels in the U.S., and you're actually see now overall marketplace that some of the positive developments that were supporting the profits there for a couple of years has started to fade away in aggregate. Well, that's not something that surprises us. And we've talked about that for a while. We've talked about the fact that we thought it may not be a bad time for us to start back entering into the market already a couple of years ago, because we recognized that if you can -- you do that in an eyes open fashion, recognizing there are number of trends that are likely to over a period of time impact loss levels and pricing levels. And you can -- I think, you can hopefully be well-timed in your decision to rebalance the portfolio. That's is exactly what we said back in 2012. I think, you've seen us do it. Just look at the overall portfolio mix right now to be fair, I think, we probably achieved quite a significant degree of rebalancing, both the growth in our casualty book, healthy growth, profitable growth as well as trimming back some of our property nat cat exposure due to pricing developments in the marketplace, have led us with the book that we consider to be very healthy, and we remain comfortable with, and we remain comfortable with our reserving levels. So yes, I hope that we can draw a line under that.

Philippe Brahin

Then there was a second question on the SST ratio.

David A. Cole
Group Chief Financial Officer

Yes, SST. So SST, so obviously there was a change FINMA, which if you restate the 2016 SST, which was 223 under the old methodology, became 261 under the new methodology. And then 2017 SST, we move up to 262. So a fairly modest move overall. I don't mind giving a little bit of additional flavor to that. So number one, we remain well-capitalized, and we remain capitalized above the level that we've indicated as our respectability target. We do that because it provides us with quite some flexibility in order to respond to market opportunities. If the market opportunities arise, we want to be able to act quickly to capture them. If the market opportunities don't arrive and we come to the conclusion we're really sitting on a buffer on top of a buffer, then we look for ways to return it, so just to put that context there and remind every one of our capital management to philosophy and approach. Our RBC under SST increased by just a bit more than USD 1 billion to just over USD 50 billion in 2017, basically off the back of profitable underwriting and investment contributions, but also reflecting the dividend projected as well as share repurchases in 2017.

We also had some minor impacts off the back of reduction in some subordinated bonds as well as some minor FX impact. Overall, target capital remain more or less flat, reflecting portfolio mix, different market, challenging market conditions, but overall flat. The market to value margin, also, which is basically the capital cost for the run-off period relatively flat. So if you looked at on a headline basis, you'd almost comes to conclusion, nothing happened, 261 to 262. I think, I would ask to think about it a little bit differently. We did a lot of exactly what we said we're going to do in 2016. We generated good profits, we invested in a number of areas, and we concluded that we were holding excess capital, so we thought to return it to our shareholders. And that's something that we've been talking about for a number of years, something I hope to continue talking about it a number of years, and not just talking about, but demonstrating. Net-net result of all of these moves was that our capital position remains, I think, superior, which is exactly where we'd like to have it. We will maintain quite a bit of flexibility. And of course, we'll watch to see what happens with our profit developments this year and our investment opportunity this year. And as we get a little bit later in the year, we'll look to see whether or not it makes sense to do something with the share repurchase program that was recently authorized by our shareholders. Once again, exactly in line with the way we communicated about that last year around this time and the year before that around this time.

Thomas Fossard
HSBC, Research Division

Thanks, David. Can you remind us from the calculation, because you this is a forward-looking measure of your capital development and because you asked formerly for reauthorization to payback yet USD 1 billion in terms of share buyback, which was an official announcement and not been made yet. But is that accrued already? Or is still not reflected in the numbers reported this morning?

David A. Cole
Group Chief Financial Officer

So once again, short answer, yes, it is and very much aligned with what it was last year as well where we also had similar type of approach. As to way the SST function is, there is a reflection of forward-looking capital the management accepts.

Philippe Brahin

Thank you, David. And thank you, everyone, for joining us today. We've come to the end of our Q&A session. So please, don't hesitate to reach out to any member of the Investor Relations team if you have follow-up questions. With that, operator, back to you.

Operator

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