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Market Intelligence

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Earnings Call

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Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re First Quarter 2024 Results Conference Call. Please note, today's conference is being recorded. At this time, it's my pleasure to turn the conference over to Christian Mumenthaler, Group CEO. Please go ahead, sir.

Christian Mumenthaler
Former Group Chief Executive Officer

Thank you very much, and welcome to our analyst call. I'm usually not part of Q1, but I decided to join this time as is our first quarter under IFRS. And it was my last opportunity to interact with you and say goodbye after 8 years. So as usual, I'll make a few remarks, and then we'll get into the Q&A.

So first on IFRS, of course, this was a very challenging project with lots of efforts, and we're very happy to have made it. Finally, it will make us more comparable, especially on the life and health side. Of course, I think we're all still learning on how it works. And we're also learning that there's some differences in how [it's applied] across the industry. But overall, clearly, coming from a GAAP world, this will make us more comparable. The biggest changes you're aware of, the first one is shareholders equity is up significantly to more than [$21 billion]. in GAAP, we had 16 point something at the end of the last year. And hopefully, this alone will put all the questions around the leverage off the table.

And then the Life & Health earnings are quite a bit higher, as you know, and as reflected in our targets. I think if I look across the industry, we're probably one of the companies who have profited the most from the transition from where we were, and that has to do with our book of business where we were particularly strong and we're not, the fact that we probably have used EVM to price the business and have priorities to economically profitable business all over the book. And of course, we also benefited from the fact that going from GAAP to IFRS, we could basically reset the Life & Health balance sheet completely as if we were buying it today. So we could reset the assumptions for the balance sheet, which is a good transition for us.

On the results, we are very happy overall. We beat all the targets with a strong underlying profitability. The results contain the buildup of the uncertainty load we have disclosed in the Investor Day '23. So a part of this $500 billion that we will need to get to a more cautious position on the reserves. There was one big man-made loss in the quarter, which is the [Baltimore Bridge]. We put around [$100 billion] in for that. But it's important to note that there's a high uncertainty around this number at this stage.

We also increased the market loss estimate of the Italian floods from last year from $3.3 billion to $6 billion, and that meant that we increased our reserves for $120 million on this. And then there's a whole series of other man-made losses and also strengthening U.S. liability, which got us to the number that we could disclose.

On the renewals, we're very happy at this stage. You could see all the numbers. Year-to-date, it's a premium growth of 8% on the [open new] business. We 10% increase in price, 12% loss cost increase, which is a combination of inflation and model adjustments. And of course, I wouldn't read this as too precise the uncertainty around all these figures, and I would describe the market as in equilibrium in a certain plateau at this stage as some others have described it. A few words around [ETQ]. So I think it's important to remember when it was created. So when 10 years back or so, what was the environment, the environment was that the interest rates were close to 0.

We were flooded with capital coming in, in search for yields in the reinsurance business. And there was significant anxiety and doubts around the future of reinsurance, and there was a lot of talk of disruption and [fish] intermediation. At the same time, there was a peak in investments or start of the wave of investments in Insurtech. We have to believe that some of it could potentially disrupt the whole value chain. So in this uncertainty, we took a decision to put our bets on white label digital insurance, not being a prime insurance directly, but building a white labeling operation with all the machinery enterprising and everything that would allow clients or brokers or big corporates to enter the primary space.

So we do a regular review of our businesses. I would see this as you see as a strategic option in case things go in a different direction for the core business. As you know, the environment has changed very significantly in the last 1.5 years. We now have much higher interest rates with very low probability of something coming back as it was 0 for a very long time is an extreme situation. Prices are much higher. The outlook are good in the core business. At the same time, if we look at the Insurtech space, investments have gone down, valuations have come down much has happened in terms of actual disintermediation of the value chain. And so looking at all these facts together, we have come to the conclusion that while we have built something up that has some value and has more than $1 billion premium and has good technology, it makes no sense to keep it as a strategic option because it's not going to be used under the scenarios we can see at this stage.

So we thought it was only fair to communicate that to the market. This will allow us to look around to see who is interested in these assets because I think it could be interesting for private companies, in particular, and be able to take all actions that we need and to maximize value of what we have at this stage. So that's all I wanted to say as an introduction, and I'd like to, of course, thank you all for these last 8 years, all the challenging questions and all the work you have put into analyzing Swiss Re. And with that, I think I can hand over to Thomas.

Thomas Bohun
Head of Investor Relations
Thank you, Christian. Hello to all of you from my side as well. As always, we have John Dacey, our CFO in the room as well. Before we start, just a quick reminder, if you could limit yourself to 2 questions and then rejoin the queue. With that, operator, could we have the first question, please?

Question and Answer

Operator

The first question comes from Kamran Hossain from JPMorgan.

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

And Christian, just as you get the chances from say thank you for your kind of time kind of insights as CEO for the last 8 years, but also for your time before that running different parts of the business, I [indiscernible] appreciate kind of all the time you've spent with us. Two questions from me. The first one is on the U.S. liability reserving activity [to in] Q1. Now my sense is that if I look back at last year, you took some [action] at a time when you were on track to hit your numbers. Their performance was good and actually things seem quite opportunistic. I just wanted to kind of revisit that concept. I just wanted to understand if, again, that was like a similar [indiscernible] that you took in the first quarter or whether there's something kind of maybe slightly more concerning around that or not? The second question is just the time line for ETQ -- how should we think about this? Will number -- will you look to kind of sell this in the near term? Or are you kind of willing to kind of set this out and wait just for the kind of best approach or deal for Swiss Re?

Christian Mumenthaler
Former Group Chief Executive Officer

Yes. No, thank you, Kamran. I think on the first one, I think it's just always important to remember, the goal #1 for us is to hit the targets. And goal number 2 is to decrease cost of equity, decreased volatility, be more on the more conservative end of the reserves. And you have to think of it in that context. Of course, there's no automatic formula. We always have to look at the realities, and we need actually to confirm what we see. So there is -- in all the actions we took on the reserving side, there is some where it's -- we have to do it, absolutely clear. There's some that it's better to do it and there's some where there's more freedom to take it, but it has to make sense. There needs to be an explanation what you're doing, et cetera. And so there is -- like all the last quarters, there's a mixture of this in what we have taken. There is still a U.S. liability wave. It's certainly less than what was last year. And as you know, we put quite a bit of reserves in. Actually, our [IBNR] to total reserves have gone up slightly this quarter.

And hopefully, it also take some comfort from the [triangles], which will publish only once a year. I remember when we published them a year ago, there were several of you enlisted and came to conclusions that were actually in line with what we ultimately booked. So you could see in the numbers we be more. I think this time, I haven't read any report that goes in that direction with what you have seen. So I think that's as far as I can go in terms of this quarter. And then ETQ, of course, this will be up to then my successor to manage, but time pressure is never a good thing. If you want to maximize for value. We have done similar things in the past. So there's things that you can close down quickly. There's things where you prepare for sale. There's elements that are valuable and probably will be with us for a while unless we have a good offer.

So we wouldn't want to give out a precise time line because this will be, I think, contrary to the interest of shareholders. But the mentality of how we're going to run it is maximizing value for shareholders. So I wouldn't be surprised if the growth comes down and there might be some charges for restructuring, which we have planned within the target, so it should be absorbable in our targets. So I think at this stage, it was important to be going to open, so more people can work on that, and I'm sure we're going to get an update at Q2.

Operator

The next question comes from Tryfonas Spyrou from Berenberg.

Tryfonas Spyrou
Joh. Berenberg, Gossler & Co. KG, Research Division

And just want to say thank you, Christian, from my side, which are the best of luck in your next steps and great to see you living to be such a great shape. I guess 2 questions, maybe one for John, maybe 2 for John. Can you help us get a feel of how the combined ratio is sort of running or normalizing for these sort of negative [PYD] coming from [indiscernible] U.S. casualty and the management of [indiscernible] described. And I guess I think the loss component is also running a little bit higher given the seasonality of our renewals. So I guess, we're assuming these items now, it looks like the [common] ratio is actually running much better than an 87% target. So any comments on what we should expect as a run rate, I guess, for the remainder of the year?

And the second one, again, on P&C -- the revenue, if I were to analyze the net revenue number, $4.6 billion, I get to $18.5 million, which appears somewhat weaker than I had anticipated, given that it's also running below the 2023 [4-year] figure, I think. I guess, how to think about this going forward, given the growth you put on the books this year, should we expect this to turn more positive for the remainder of the year when it comes to the top line growth?

Unknown Executive

Sure. On the combined ratio, again, in the first quarter, we had a benefit of de minimis Nat Cat losses in reinsurance. We've gone ahead and reinforced reserves in a couple of different areas, as [Christian] has described. I think 2 things to keep in mind. One is the impact of this uncertainty reserves that we're putting on top of the positions are likely to be a little more impactful during the course of the year, not anything dramatically. But yes, it would create some additional charges to build this extra uncertainty reserve. The other thing is there's -- we're in a somewhat volatile business. Our goal for the target is to be at [87%] or below. And that's where I think we're comfortable guiding the market to today. It's coherent with the net income of $3.6 million we're getting a little bigger benefit maybe from discounting than we might have thought a year ago or 6 months ago, but only very modest. So there's -- we've got one quarter done, let's see how the next 2 or come through and maybe can provide a better and clear guidance after Q3. But for now, we'll stay with the 87 -- the second question on the revenues.

Overall, for the group, we think the growth is probably about 8 -- sorry, 5% between life and health and P&C. The P&C business is growing -- and on renewals, which is the treaty business, you saw the 8% growth rate there. The [fac] business continues to develop nicely with another more than $1 billion of premiums that have been booked here. So I'm not concerned about our revenue growth. I think we've got a positive momentum both in P&C, but also across the CorSo book and to maybe a little lesser degree on life.

Operator

The next question comes from Simon Fossmeier from Vontobel.

Simon Fossmeier

It's Simon from Vontobel. I have a question on the contractual service margin. The number that you're giving, the [$22.2] billion on Page 20, is a pretax number. I was wondering if you could give us the after-tax number, we could just take the corporate tax rate. I've seen the footnote for the leverage basis. So I cannot work it out, but I just wanted to be sure. And related to that, some of your primary peers also deduct fulfillment expenses, so the expenses that are not directly allocated. Is there any chance that we can get that number as well? Or is it immaterial? And really I don't need to adjust the contextual service margin than any further?

Unknown Executive

Yes. On the second piece, maybe we can have the IR team follow up with you or my expectation is that the midyear on some of the disclosures, we'll do that might be more obvious to everyone. With respect to the CSM [Polish] tax, I think a reasonable position is to take the corporate tax rate on this. So a reduction from 22.2% to somewhere around 18 would make sense as a modeling position.

Operator

The next question comes from Ivan Bokhmat from Barclays.

Ivan Bokhmat
Barclays Bank PLC, Research Division

Christian, for the interactions in the past. I think a couple of questions. First one, just on the P&C Re. As I look at the breakdown, you've provided an insurance service results, this experience variances line. Maybe could we get a little bit more color on whether you expect this line to on the long term, just trend to 0 or there is some extra additions that we should expect on an ongoing basis? I understand that it includes the PYD. It includes some other reserve additions, but what else should we expect that could be ongoing there?

And then the second question, it's just changing topic a bit. On Life & Health Re, I think one of your peers actually yesterday, they were highlighting increased competition in margins in mortality business, especially in the Anglo-Saxon markets. So I was just wondering if you could perhaps comment on that and provide some of your views on mortality reinsurance.

Unknown Executive

Yes. The experience variance, yes, I think over the time, we would expect this to be plus or minus 0. This is maybe a little bigger deviation than you might normally expect to come in here. There's nothing structural, which would sort of load this up quarter after quarter that I would see. On the other hand, I do go back to Christian's point, which is our first priority is to be sure that we're on track for our targets. And then over time, we want to be sure that the reserve position remains very, very prudent. Again, looking at the March triangles, you've been able to judge yourself. And as Christian said, we've not heard anybody come back saying that this seems like it's still light. So I think we're comfortable where we started the year. And if we saw some positions or opportunities here in the first quarter, given the benign cap position, so be it. But you should not necessarily model in a material negative for this on a going-forward basis.

On the Life and Health mortality, Christian also referenced that in 2022 and 2023, one of the things we were able to do is to think hard about the assumptions that we had in our life book. Under U.S. GAAP, they were fixed. If you look at what our reported EVM numbers were, you would have seen some material adjustments that reduced EVM profitability because we did, in fact, take a more prudent view on mortality, including in at least one Anglo-Saxon country. And so our experience here in the first quarter was coherent with what those adjusted assumptions actually were. And where we did see some deviations were sort of small numbers in a couple of different European EMEA countries. I don't see this as a trend, but we'll continue to evaluate quarter-by-quarter. But I can't say that we have a confirmation of what other people might have seen in their own books. I mean there could be a differentâ€"insured population, it could be some of the actions that we took in 2023 in particular.

I just wanted to quickly follow up on Trip's question. You had mentioned annualizing Q1 revenues. It's just important to note that we still have seasonality in revenues. So revenues are driven by expected claims. These will be higher in Q3, Q4. So you can still expect higher revenues in the later quarters. It's the CSM that is earned much more on an even basis.

Operator

The next question comes from Freya Kong from Bank of America.

Freya Kong
BofA Securities, Research Division

And also Christian wishing all the best. First question on P&C Re again. Just normalizing for the negative experience variances, I'm getting to a normalized combined ratio of around 79% or 80% compared to the target of below 87%. Can you help me understand if there was an explicit allowance for net reserve strengthening in the guidance? Because at the time, I think you said there was not. And John, you also mentioned that experience variances should be around nil. Can you just help me gap the 7 to 8 to bridge 7 to 8 point gap? Is this something I've missed? Or was guidance just set very conservatively.

Secondly, just on the net reserve strengthening, I calculated around $600 million. Can you give us some color on the split between underlying positive development, deterioration of historic large losses and strengthening in liability?

Unknown Executive

Yes. So I'm afraid we're going to frustrate you on the second one by not giving a lot of detail on this, again, even under U.S. GAAP, where we had specifically access to prior year versus current year on Qs 1 and 3, we didn't give that information. But in IFRS, we don't have that split in the data. So we're -- the midyear when we have a more full set of disclosures and comparables, there will probably be more insight into that.

On your first question, look, the book is running well, and it's been reinforced by the January and April renewals, where we've talked about achieving a gross price increase. We're booking -- our costing important inflationary impacts and model changes in addition to that. But I think it's probably a little aggressive to say that the numbers you've come down to are what we expect. Actually, we don't expect that. We expect something higher, but 87% is the target for us to be at or below and below might be within the realm of possibility. Q1 was below at 85% or 84.7%. So I think we're -- let's get a few more quarters of IFRS reporting under our belt and the reality of how this is playing itself out, but so far, so good.

Operator

The next question comes from Derald Goh from RBC.

Derald Goh
RBC Capital Markets, Research Division

I guess, first, you just echo my colleagues. Thank you again, Christian and all the very best. So my 2 questions. Firstly, the first one is on the new business loss component in P&C Re at the $185 million, it looks quite high if I look at it in terms of combined ratio points or 4 points now does that partly reflect the new uncertainty reserve? Or is there something on going on? And is there a 4 point of a proxy for the full year as well?

And my second question, it's on investment income in P&C Re. So Q1 looks like it was running at about $600 million. Again, it's like quite a step up from last year. Now is that $600 million kind of this quarterly run rate for the rest of the year, please? Or were there some kind of one-offs in Q1 to back off? So on the new business loss component. This is affected by the uncertainty loading that we're putting on all lines of business in 2024. And overall, we would expect full year impact of sort of between 1.5 and 2 percentage points to come through. Again, on a quarterly basis, there may be some noise on this, but overall, we won't be surprised if this remains a little bit of a drag, but just a little bit and different than the experience variance where we would, in fact, set as [indiscernible] expect this to trend towards 0.

On the investment income, there was nothing really exceptional in the first quarter. Two things. One is we're benefiting on shorter duration matched assets from the current yield curve. And on fixed income, the current investment yield is 5% for new money. And I think for the near to midterm, we should see our fixed income result continue to be strong. There's not been that much in the way of additional value that there's been a little bit of valuation on some of the private equity portfolios that came through in the P&C book. That's where those investments are held. So that might have been flattering a bit. But we're fairly bullish on continuation of a good investment result. There was nothing bad that occurred in the quarter, but nothing in terms of impairments, nothing in terms of material write-downs for us here. So I think not every quarter, we'll be that clean. But as a starting point, I think we're in good shape.

Operator

The next question comes from Faizan Lakhani from HSBC.

Faizan Ahmed Lakhani
HSBC, Research Division

Just reiterating what my colleague has said, thank you Christian and congratulations on a great career. My first question comes to -- on Life & Health Re. When I look at the CSM release, it appears to be operating above the 7% to 8% guidance this quarter. Could you maybe provide some view on why that would be? And if the 7% to 8% guidance still holds for the full year? And just by extension, you mentioned that you have reset your assumptions in Life and Health Re. But I'm a little bit surprised to see still a fairly sizable adverse experience in the quarter. So if you could just maybe me understand how to tie those 2 statements together?

My second question is on P&C Re. And I apologize, I've come to a very different conclusion on the math to one of my colleagues on the phone. If I just look at the 84% headline number, you benefited from a very benign net cat quarter and even adjusting for the Baltimore Bridge and [Italian] hailstorm, I get to an underlying combined ratio of just below 90%. If I could just firstly double check if that math is correct. And if that is the case, how do I bridge that to the 87% combined ratio guidance you're giving.

Unknown Executive

On the second one, I think we might follow up with the IR team, but my best guess is you're not including the benign impact on nat cats in the experience variance and other. And so that's a positive that would drop in there. And that might help explain how you get to a different position. On the first on Life & Health, yes, there was some negative pins, which I mentioned, again, largely related to newly set up IBNRs. So assumption driven on some of the EMEA countries. We don't believe that this is necessarily recurring, but we saw some evidence that had us go ahead and book some pieces here.

The [indiscernible] release of Q4 â€˜23, 2.2% of the year-end 2023 CSM balance is slightly above the guidance of 7% to 8%. Obviously, you get to 8.8%, if you annualize that. I think part of this is just a little bit of noise that might be coming through the first quarter, including some adjustments probably on out-of-period numbers that might have dropped into the first quarter. But I think the guidance we would still stand by is 7% to 8% for the full year, and that's coherent with us landing net income at or maybe a little bit above the $1.5 billion.

Operator

The next question comes from Darius Satkauskas from KBW.

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

Firstly, thank you Christian again and all the best in the future. I've got 2 questions on casualty. So the first question is, I noticed that you stopped disclosing combined ratios for individual business lines. So we can no longer tell how your casualty business is doing. Are you able to give us an update on whether your casual reinsurance combined ratio improved from 127% in full year '23 or not? And can we expect more disclosure on this with half year results.

The second question is, you recently changed the reserving approach and guided you an ambition to add $500 million net of tax to the loss picks when you write new business. If I think about your reserve position development in the first quarter in very simple terms, such as what you've added to the new business loss picks minus what was absorbed by the back book strengthening. Do you think you were able to add anything in the first quarter?

Unknown Executive

So Darius, I'm not quite sure I understood the second question. So why don't I try to answer the first and then you can come back to the second. Yes, we're not going in line of business combined ratios in the quarter. We'll see in midyear disclosure what we might provide. But I'm pretty sure you could answer the question yourself. I cannot imagine a way that you could have an 84.7% combined ratio for the group if the casualty combined ratio was not better than the 127 you quoted earlier. And the way to think about this might be on renewals today page, where you see casualty still of the $15.4 billion that we renewed through April. Cash is $4.4 billion or 1/3 of the book. So it just -- it would not make sense if we were still operating at those levels. So I don't think we're anywhere close to that. And that's consistent with our view that we've decreased our casualty book, but still are pushing very hard, not only for better pricing in the primary market for casualty broadly, U.S. liability in particular, but also a little different orientation on seating commissions than what we've seen in the market. And until we see these changes, we'll continue to shrink our casualty position on new business.

So can we come back to your second question, I was trying to the numbers together.?

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

So yes, my second question was just simply, I'd like to know if you were actually able to overall add to the reserves -- if I look in very simple terms, compared to what you were doing in the past, you were talking about having an additional $ 500 million net of tax in 2024 in your reserves based on what you add to the -- when you write the business. But at the same time, there's a bit of pressure in your back book. And I'm just wondering, given the experience in the first quarter, what you added to the back book, was there anything left in your overall reserves? Or was that offset the entire whatever you put in the new business compared to what you would have done in the past?

Unknown Executive

Yes. Look, I think, again, the uncertainty reserve is on new business, which we write, when we started doing this in P&C Re last year on a select number of lines. We've expanded it to all lines. And as we've mentioned before, the Corso book has been doing this effectively for a couple of years now. And so they're a bit ahead of the game compared to P&C Re. But I think we're confident that the original cost in positioning is also probably achieving a level of prudence as well. And you see that again on the renewals, where we say the higher loss assumptions of 12%, far outstripping any inflationary impacts that we might find, but also reflecting some of our changes in modeling and where a lot of that higher loss assumption has come is in the case lines of business where we continue to question the primary pricing for this. So I think that's one piece of the puzzle. And the other piece of the puzzle, we closed the year in 2023, believing that our in-force book was well reserved. And that's the loss triangles that we printed already in March where people have the data, the fact that there were a couple -- a finite number of man-made losses, what Christian mentioned before, the Italian floods increase as well, which were fairly specific and I'd argue nonrecurring issues, the Italian flood a little frustrating that only deep into the first quarter, do we get the information to be able to make those increased reserves. But I don't think there's no reason to believe that we've got other big holes we're trying to fill. We're simply looking for a level of prudency and conservatism -- that will, as Christian mentioned at the beginning, allow us to reduce future volatility.

Unknown Executive

I think the question was just very narrow. I think around did we do it. And yes, we did it. It's a mechanical process. It's uncertainty load. So all the new business that came in, we added the load on exactly as we had planned. It's just -- it's not exactly quarter of the $500 million, and we don't disclose the exact number because there's still business where this was not on that is earning through in this quarter. So it's -- but overall, it's -- yes, it's -- there's no doubt we just did it. It's a mechanical thing.

Operator

The next question comes from Vinit Malhotra from Mediobanca.

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

So Christian, congrats on your move. One thing I'd say -- so from my many questions have been addressed, but there's one thing on the casualty, which the Slide #8, as John, you rightly mentioned, there's still $5.4 billion renewed casualty premiums. And if I just look back at last year's similar data, the number was $ 4.4 billion. So I mean, I'm just curious, of course, I can see some maybe multiyear treaties, maybe EMEA motor structure on track might have seen. But just looking at these numbers, it looks like casualty is still kind of is increasing, but it's kind of still got a long way to go because you're still adding to reserves. And I'm just curious whether you think some more, let's say, aggressive action is needed in casualty -- so that's just my first question.

Second question more very numbers kind of very quick numbers question. I picked a comment in the beginning of the call that discounting was a positive effect at 7%. When I just look at the P&C Re discounting versus is, so the insurance finance cost, I'm still getting sort of a drag of 70 basis points, assuming discounting was 7%, 7.3%. I'm just curious, is this calculation correct, do you think or -- and obviously, the effort is to find enters.

Unknown Executive

I get the question you need. Let me try and answer -- so on the first one, under IFRS, we included deposit accounting contracts in this number in the casualty, which are sort of nontrivial in volume. What I can say is this $5.4 billion also reflects some major pricing improvements that we had. And so the exposure, we believe, is down unambiguously and down even more than the minus 4% that you see vis-a-vis the up for renewal number. So that's -- I think what's causing the confusion compared to the presentation of a year ago under U.S. GAAP. But we are shrinking this and then obviously, Case includes a series of businesses, the particularly problematic U.S. liability. And certainly, U.S. liability with large corporate clients continues to decline and argue declining aggressively.

With respect to the discounting versus EFE, for P&C Re, it's a -- if I remember correctly, it's a small negative. I don't think it gets to the amounts that you said, but I have not tried to do that calculation, largely offset. And so also, of course, largely offset the discount compared to the no positive impact that maybe some of our competitors have started the year earlier than us were able to achieve last year, but no real drag, but we can follow up with the IR team on that.

Operator

The next question comes from Ismael Dabo from Morgan Stanley.

Ismael Dabo
Morgan Stanley, Research Division

I just want to reiterate what some of my colleagues have said. Good luck, Cristian next endeavors. For my first question, of course, the results seemed especially good this quarter. I'm just wondering how sustainable that is. And if you could discuss any seasonality in the first quarter. I think you included some commentary around seasonality and your experience variance. But yes, I'm just wondering how sustainable that result for courses throughout the rest of the year, given it was well below the 9% target. And Sorry, just coming back to the P&C reserves. Just one more time. I'm trying to figure out the additions that you made to U.S. liability, Were they opportunistic given the results and the book was so profitable? Or was it a response to new incoming data. Sorry if you mentioned that during the earlier questions by any clarity on that?

Unknown Executive

Yes. So let me try one more time on the last point, which is Christian did mention that the ratio of IBNR to reserves in this book modestly increased in the quarter. And I think that's the way you should think about this. So we've got assumptions that we've looked at and continue to be thoughtful about what ultimate cost might be and we've booked what we've booked. On the Corsa, the experience variance that you see on Page 9, it did include some reserving for seasonality, we saw -- it was a quiet quarter on man-made in particular. That's not usually the case given the book that course rights. And so it may be that there's claims that will come in. It may be that the other positions. But again, it's a well-underwritten book which has achieved important price increases literally over the last 4 years. We're comfortable that the reserves are in very, very good shape, and we'll see how the rest of the year plays out. But it's nice to have a good start and there will be quarterly volatility here. We had one material nat cat loss related to the Japanese earthquake on the 1 January. But overall, a pretty benign loss experience for large losses, and we'll wait and see how the next quarters play out.

Operator

The next question comes from James Shuck from Citi.

James Austin Shuck
Citigroup Inc. Exchange Research

Well, that's an interesting interpretation of best of luck for the future Christian. So my key question is, I did disconnect for a while, so apologies if this is repeating. But I just want to resented the experience variance outlook. So you're suggesting that, that should be neutral going forward. You significantly increased the reserving adequacy. So my understanding is that your 60 to 80 percentile and you're closer to 80% at this point, you're also adding the uncertainty load. So why shouldn't we expect a positive development of that going forward? That's my first question.

Secondly, on [indiscernible], I'm a little bit perplexed about what's really changed here aside from interest rates and funding costs going into the sales tax. A couple of years ago, you presented pretty confidently about what a great business case it was. So I'm just surprised to hear the pivot today. And I suppose Dean to hear a little bit about what's changed there. And if you were to sell it as shareholders, will we get that money coming back to us? What would be the SST impact is the required capital associated with it.

Unknown Executive

Yes. So on the first one, James, I think when we are at regime with the uncertainty loading, there's reason to suspect that experience variance probably could trend positive. We're not at regime at this point of time. And so I think the way to think about this is -- we are well reserved and we -- so at this point in time, I'd say we trend towards neutral on this. And if we find ourselves with the redundancies that are systematic and we see unambiguous releases coming forward, then we'll make adjustments in the guidance. But for now, we're not at that point.

Unknown Executive

Yes. That's obviously Optum because you're absolutely right. I was strongly promoting that. And I'm not sure you were there at the very beginning. But there was a time where there was a significant anxiety around reinsurance at low interest rates and capital floating in. I remember 2017 after the big natcat, for example, in the U.S., pricing really didn't react. So it was really a question of what -- how is this whole value chain is going to develop and where will we play as it in the future. And that's the time I would argue. You need to start to build strategic optionality and think about different places in the value chain and have options also in the ACP, for example, space. What has changed is really in the last, I think, 1.5 years or so a very strong interest rate increase, ending this huge phase of nearly 0 interest rates, stopping the capital flow, which was relentless coming from outside into the reinsurance business. So that means the core is much more secure.

And the other thing that has changed is that on the Insurtech side, while things are developing the developing more slowly and there's no real disruption to be seen. So the question is not whether it fundamentally can be a good business or not is a question of does it -- is it part of our long-term future? Does it fit with us. And there, I have to say, I think in another context, the sense was, yes, this is an optionality, strategic optionality we need. In the current context, I think the honest answer is it's very hard to see a future where we will need it. So it's more honest to say, okay, let's be open that this is not a fit with us for a long-term sticky future and manage for value. It doesn't consume a lot of SSD capital. So it's not -- I mean, I can't foresee huge impacts on us positive impact going forward. So this is going to be managed for value. And yes, I mean that's basically it, of course, in hindsight side, you might always say I prefer not to have both the option and done it. I think at the time, we felt it was a very strong case for it.

Operator

[Operator Instructions] We have a follow-up question from Kamran Hossain Jose from JPMorgan. J

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

Just one more on equity. I recall last year, the earnings impact was expected to be so for 2020 was a negative $250 million. Can you just remind us when it was supposed to break even kind of whether that's the change under IFRS 17 and actually whether the decision to kind of speak about what to do with the business, whether that would have an impact on kind of potentially a drag on earnings over the next couple of years.

Unknown Executive

So you're right, the $250 million was a charge related to 2023. We expected a better result less negative for 2024 and the first quarter was on track for that and the breakeven at the end of 2025. And I think the reality is [indiscernible] today is a collection of a number of discrete businesses across different geographies. And the unwind of this is a reasonably complex operation, as Christian alluded to, some businesses, which we think unambiguously have value and a different owner may be able to leverage in a much more important way than what we see ourselves being able to do other pieces of this may well end up not of interest to other markets, and we'll see, as we've done with other initiatives in the past, we'll manage them for value through a closed block basis. And that's the -- what the future looks like.

There could be some restructuring charges in coming quarters. We've evaluated the likelihood of magnitude, and there's nothing that we think gets in the way of us hitting the overall target of $3.6 billion for net income. So we'll look not to minimize what the short to midterm cost of this is as we do to the restructuring and look hard to, as Christian said, maximize the value for shareholders with the assets that we have.

Operator

We have a follow-up question from Ivan Bokhmat from Barclays.

Ivan Bokhmat
Barclays Bank PLC, Research Division

Just a small follow-up. I think you've mentioned that this reserve addition was both DNR and case reserves, and most of it, of course, reserve related to pre-2020 business. Maybe could you provide any color on how the cohorts after 2020 have been developing? Is there anything to flag for more recent years?

Unknown Executive

Nothing to flag post 2020. We -- again, last year, when we did some material reserving across the board. We included some of the more recent years in those reserve additions -- we didn't see any need or have any evidence indications from any of our clients that there's any potential issues there. And with the pre-2020, obviously, the older years of the soft cycle are finishing and not finishing, but much further developed in 2013, 2014, and it's the more recent years in that cohort of '17, '18, '19, which probably are -- still have the larger exposures that were we and the industry are working through.

Operator

There are no more questions. I hand back over to you for closing remarks.

Unknown Executive

Thank you to everyone for your questions. Should you have any follow-ups, please do not hesitate to contact any member of the IR team. With that, thanks again, and have a nice day.

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