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Earnings Call

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Call Participants

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Presentation

Operator

Good morning or good afternoon. Welcome to the Swiss Re's 9th Month 2023 Results Conference Call. Please note that today's conference call is being recorded. At this time I would like to turn the conference over to John Dacey, Group CFO, please go ahead.

John Robert Dacey
Group Chief Financial Officer

Thank you. And good morning or good afternoon to everyone on the call. I'm here with Thomas Bohun, our Head of Investor Relations, to talk you through the 9 months 2023 results. Before we go to Q&A, allow me to make a few quick remarks on the release that we put out this morning.

We're reporting solid results today for the first 9 months with a profit of $2.5 billion. We're on track to achieve the full-year target of more than $3 billion of net income. All businesses contributed to a strong third quarter.

P&C Re's third quarter combined ratio of 93.7% absorbed $421 million of large nat cat losses related to various events in a busy nat cat quarter for the industry. We added significant amounts of assumption driven reserves, therefore in the form of incurred but not reported reserves to the U.S. liability portfolio, reinforcing overall reserves strength.

The majority of the liability reserve additions were once again offset by releases in other lines while the remaining was compensated by a strong underlying margin. As a result, P&C remains fully on track to achieve a better than 95% reported combined ratio for the full year. Premiums earned in P&C Re were up 5.4% at constant FX rates for the first 9 months.

Property & Specialty [Technical Difficulty] excuse me -- at 5.4% at constant FX rates for the first 9 months. Property & Specialty gross premiums written are up by about $700 million year-to-date supported by the significant price increases we achieved through the year. Looking just at the third quarter gross premiums written were lower by about -- around $400 million. The main drivers to this is the fact that in the third quarter gross premiums written are more heavily driven by the recent July renewals where we accelerated our continued pruning of casualty lines. Premiums are therefore developing in line with our portfolio strategy.

Corporate Solutions continues to deliver quarter after quarter with 9 months reported combined ratio now at 91.3% well on track to achieve the better than 94% full-year target. Importantly CorSo achieved risk adjusted price increases of 5% in the third quarter.

Life & Health Re produced net income of $241 million, closing some of the pro rata gap of the first half relative to the $900 million full year net income target. We continue to target a full year net income of this amount.

We have a very strong return on investment in the third quarter of 4.8%. On the one hand, this was driven by an increase in the recurring income with the recurring income yield now at 3.7%. We also sold selected real estate positions and offset the majority but not all of these gains. With targeted sales of fixed income instruments to further improve the recurring income.

Group items benefited from an accounting treatment change on our FWD investment. Part, but not all of our equity investment in FWD was at an operating company level. As a result of FWD's corporate restructuring in the third quarter, this investment, along with all others, was consolidated at the holding company level. And as a result, Swiss Re is no longer judged to have, for accounting purposes, significant influence at the holding level of the company. Therefore, this portion of the investment will now be accounted for at fair value instead of the equity method, which it previously been valued at. The carrying value in our books before this change was close to 0.

The current carrying value for the fair value method of all of our equity investments in FWD is now approximately $700 million, and the P&L impact under the change of accounting treatment in Q3 can be seen in Slide 23 under the realized gains in group items.

Our SST ratio of 314% as of the 1st of July remained very strong. We recently bought back $1.5 billion of subordinated debt, thereby accelerating the deleveraging plans of management. The impact of the buyback is around minus 10 percentage points on the current SST ratio. Despite this because of changes of interest rates, we estimate that we remain close to the midyear number.

Our capital management priorities remain unchanged. Our primary focus remains on achieving our financial targets and returning to sustainable dividend growth.

With that, I'll hand over to Thomas, who will introduce the Q&A session.

Thomas Bohun
Head of Investor Relations
Thank you, John and hello to all of you from my side as well. As usual, if I could ask you to limit yourselves to 2 questions. And should you have any follow-up questions, if you could please rejoin the queue. So with that, Operator, could we please have the first question?

Question and Answer

Operator

The first question comes from the line of Andrew Ritchie with Autonomous.

Andrew James Ritchie
Bernstein Autonomous LLP

Could you give us some color, first of all, just on the nature of the assumption updates in Casualty. I mean is it related to recent years, the soft market years, expectations? I mean I'm presumably this is a sort of social inflation but just a bit more color would be very helpful. And within that, am I assuming this also applied to CorSo lines as well as P&C Re. That's the first question.

Second question, it looks like your risk assets went down again in Q3. You've invested a bit more in credit, but there was further sales of equity principal investments and public equities. So could you just give us a sense -- do you still feel sort of derisked relative to where you would be on a normal basis from an asset risk point of view?

John Robert Dacey
Group Chief Financial Officer

Sure, Andrew, happy to try to answer the question. So on the assumption updates, this was not any sort of special event. What it was is our actuaries doing their job, working through what we've seen in the industry and obviously, some of the information that came through in the first half of the year. The years where we made a more pessimistic pick on ultimate cost are largely the soft markets 2014 through 2019. The adjustments were largely on liability, probably some commercial motor on areas where social inflation remains problematic.

On the businesses themselves this much more an event for P&C Re than for CorSo, the CorSo reserving that we have done in 2019 seems to be largely holding up, you're keenly aware, I think that there is a position with the adverse development cover, whether where some small losses coming over from CorSo in a couple of those years, but not a big deal. And again, with respect to assumptions, all these reserves went into the IBNRs related to the year. So I think we're in pretty good shape for now, and we'll continue to evaluate what might or might not be required in future periods. But this is obviously an attempt to be deeper into a best estimate position with this additional IBNRs that cut across these years.

On the asset portfolio on derisk, the biggest single piece was our sale and principal investments of the CPIC position. We maintain a very small piece, but we've largely exited the investment we made for the London-based GDRs. And in doing so the numbers have fallen by probably around $600 million in that case. I think overall, we are at a risk of position. The listed equities are close to 0. We have picked up some credit, but not a lot in part the spreads on investment grade still seem pretty tight given the potential downsides in the broader economy. So I think the answer is we're taking advantage of the higher fixed income interest rates across the yield curve, including on the short end. And at some point, we will be more comfortable picking up some additional asset risk. But for the moment, we're comfortable where we are.

Thomas Bohun
Head of Investor Relations

Could we have the next question please?

Operator

The next question comes from the line of Kamran Hossain with JPMorgan.

Kamran Mark Hossain
JPMorgan Chase & Co, Research Division

Two questions from me. The first one is just coming back on the reserving side. I mean just trying to work out how the assumption changes into play with, I guess, the $3 billion or more target and also as well kind of positive reserve development that you've seen elsewhere. And I guess if you haven't seen positive reserve development in property and in specialty, do you think you would have made similar assumption changes? Or do you think there's no relationship between, I guess, those segments?

The second question is you're well on track for the $3 billion or more target for this year. Your SST ratio is remarkably high. Should we be thinking about share buybacks at some point? Or is there a need to kind of repair hard capital and maybe kind of in later years, might get share buyback [indiscernible].

John Robert Dacey
Group Chief Financial Officer

So the -- your first question in some ways, is fairly hypothetical. I think the way I would answer is we believe our reserves are in a very good space overall. That means that there are places where we'll have redundancies and places where we might see the opportunity to reinforce. And that's effectively what you've seen us do during the entire year in 2023. At midyear, I think there was the net prior year was minus $30 million.

We felt more comfortable living with the minus $150 million in the third quarter, but the position, I'd say, is we think our reserves are in a good place. The geography may need some adjustments, and that's what we're doing. The assumptions reflect, as I said, a more pessimistic view on ultimate outcomes for U.S. liability in particular. And the other thing I'd say is our targets are important to us this year. And there was a reason that we moved from a normalized combined ratio in P&C Re to a reported combined ratio. We wanted to be sure that we captured all of the movements that might occur during the year, and that includes whatever adjustments to reserve. So I think you should understand that being better than 95% is a clear unambiguous target for us in addition to the $3 billion.

On the capital, what I can say is -- our capital priorities have not changed and will not change. We are, we believe, in a very interesting market for reinsurance. We expect to continue to write well-priced business into 2024. And so the utilization of capital for our actual business is clearly an objective. In the meantime, what I can also say is after we get past the first objective of being very well capitalized, and I think nobody would challenge that starting point.

Our goal is to increase the dividend or at least maintain it the last couple of years where the earnings, both on a GAAP basis, but frankly, on an economic basis, which is the source that's more important, have not been very good. We've still managed to maintain that dividend in a year where the earnings rebound strongly. And currently, the economic earnings are doing very, very well in addition to U.S. GAAP earnings. You should expect us to return to an increase in dividend position. I think that's the starting point. It's probably premature to start talking about share buybacks, let us close the year, have the discussion with the Board and sort through what the capital plan that makes sense over the coming years looks like.

Thomas Bohun
Head of Investor Relations

Carmen could we have the next question, please?

Operator

Your next question comes from the line of Freya Kong with Bank of America.

Freya Kong
BofA Securities, Research Division

Just following up on the reserve strengthening and liability. So it seems like there's been a bit of an acceleration in the strengthening in liability versus Q1, Q2 and driven by assumption changes. Has there been a change in reserve philosophy and prudence here or is this more of a catch-up effect?

And secondly, just on the Life & Health business, it feels like it's still running behind the run rate needed to hit your full year target. And heading into Q4, from what I understand, it tends to be seasonally weaker due to winter mortality. What gives you the confidence in reaching this $900 million target? And are you seeing any potentially concerning claims trends in the book, experience seems to have been quite negative this year?

John Robert Dacey
Group Chief Financial Officer

Thanks for the 2 questions, Freya. With respect to the reserving, I don't think this is an acceleration and it's certainly not catch-up. Again, these are our senior actuaries evaluating the trends on these soft market years and trying to effectively predict the bending of the curve on the loss triangles. And so our view is that the ultimate is likely to be a higher charge, than we -- clearly, when we wrote the business and even when we probably finished last year, the trends going on in the United States continue to be sort of systematically bad, and that's not for Swiss Re, that's for the industry. And as a result, we've just proactively adjusted these assumptions ahead of any specific claims information for a good chunk of the book.

On the Life & Health, again, $240 million, if that was -- we hit that every 4 quarters, we'd obviously be at our $900 million. The first half of the year was -- had lower earnings in part because of a frequency, especially in Q1 on U.S. mortality. What we saw in Q3 was not a very big deviation on frequency, but a accumulation of large dollar claims. We don't think this is any way a trend, but simply just some bad luck where they were reported together in the quarter, higher amount than we would normally expect in a quarter. So that's not of particular concern to us.

To your point, we do have to make a little more money in Q4 to get to $900 million. $270 million, we think that's well within the possibility that you should remember that every quarter we go through the investment income continues to be enhanced by the fixed income returns in the portfolio. And then as is not unusual in Life & Health, there's some opportunities for some specific transactions with clients where they're interested in closing it before year-end, and we'll -- we're capable of bringing these things, transactions home, which oftentimes have a nice positive earnings effect for us.

So again, we're -- there's no guarantee, but the $900 million we think is within reach for Life & Health.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Will Hardcastle with UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

The first one is on premium growth. John, you touched on gross written premium. I was looking at the net earnings as well year-on-year, and it declined -- and was sort of flat in Property, and it was down 7% in Casualty. This is just Q3 discrete. I guess what were the drivers there? I'm just thinking because of the earnings versus the written, that wouldn't be because of that? And should we be seeing this accelerate in light of the hard market benefits.

The second one is just thinking about if it's possible to get the breakdown of the $150 million or so PYD between Casualty strengthening and the releases. With the amount of strengthening, it's more of a high-level question. But with this amount of strengthening, do you think the reserve are now less likely to need further strengthening than you perhaps saw 3 months ago? I know you mentioned it's mostly IBNR, I think it was largely IBNR in H1 as well. And have there also been specific notifications in the quarter that have driven this increase?

John Robert Dacey
Group Chief Financial Officer

So let me react to the second set of questions first. The -- in the first half of the year, I think we said it was a mix of experience and some assumptions, but the clients actually provided in H1 a considerable set of notices about increased losses to us, again from -- typically from these same years. That's flipped. There were some client activities in Q3. But as we've said, the vast majority of what we did was assumption based here in the third quarter. Obviously, we closed the first half of the year thinking we were -- or at the time when we closed it, we were clearly in the best estimate range.

What we saw was this work done by our actuaries, which again, has taken a more pessimistic view of ultimate cost. And that's why we've added the IBNRs and put them in place. By definition, that means it's less likely that we'll need more money later. But the expectation is that we probably do need or will need these reserves at some point in time, not in Q4, not even next year necessarily, but as reserves for this book continue to migrate from IBNRs in the case reserves will continue to evaluate over all the positions. So that's the -- again, the view that we're comfortable with the reserves we have, we think these assumptions put us in a better place, and we'll continue to monitor.

On your first question, the premiums earned down on Casualty, our removal or reduction in Casualty is not new at midyear '23. We've been deemphasizing this book for a number of quarters now, and we'll continue to do so. The price increases in the industry have been directionally correct, but we don't necessarily believe they're sufficient and will continue to come off risks systematically on some of the U.S. casualty lines. I think overall, our view is we will grow strongly where the prices are adequate in 2024.

The Property & Specialty lines, the pricing most of these is in pretty good shape. There are some adjustments we need to make to our expected losses, some related to inflation, some related to actual modeling and need to be sure that we cover those increases in expected loss caused by price increases as well.

Thomas Bohun
Head of Investor Relations

And Will, on Property in Q3, there is a muting effect from a reinstatement premium that we had last year, which did not recur this year. So that's probably -- that's one of the reasons why in Q3, the Property premiums look a bit lower compared to last year. But overall year-to-date, as John mentioned in the opening gross premiums written between Property & Specialty are up $700 million year-to-date.

John Robert Dacey
Group Chief Financial Officer

Yes. I mean in the recent statement related to Hurricane Ian that popped up at the end of the quarter last year.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Derald Goh with RBC.

Derald Goh
RBC Capital Markets, Research Division

Got two questions, both in Casualty, again, I'm afraid. The first one, could you maybe talk about what have you seen from your cedent so far? Is it patrons getting a bit longer? Or anything at all that you can point to, I suppose, do you feel that at an industry level, there's more of a catching up to do across the primaries?

And then secondly, just in terms of the more recent underwriting years, did you adjust your loss picks there as well? I guess, are you still confident in generating margins for some of these more recent underwriting years?

John Robert Dacey
Group Chief Financial Officer

Yes. So what I can say in the third quarter is we didn't see any increase in actual claims being presented to us from prior quarters. So there doesn't seem to be any acceleration. And again, reiterating our assumption-based reserving was an extrapolation from a broad set of data, the actuaries were able to spend real time with. I think I wouldn't be able to say whether the industry is systematically under or over reserved in this, what I can say is on our own book, again, we're -- we think these adjustments, not only the assumptions in Q3, but the other strengthening done in the first half of this year on top of the inflation reserves we set up last year are all putting us in a much more robust position on a going forward basis.

And I apologize, I didn't write the second question.

Derald Goh
RBC Capital Markets, Research Division

Loss picks on more frequent years.

John Robert Dacey
Group Chief Financial Officer

Yes, sorry. In recent years, we've systematically taken a more prudential loss picks on initial costing and then even made some assessments on what we would refer to as APLRs to continue to be sure that we're correctly booking the years from 2024. 2020 continues to be a bit of an odd year affected by the pandemic so the actuaries struggled probably a little more than otherwise. But I think we didn't leave ourselves exposed in these recent years the way that with hindsight, we were exposed in the soft market.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Tryfonas Spyrou with Berenberg.

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

Most of my questions have been answered, but I've got 2. One of them is more broadly on the outlook from nat cat reinsurance. Obviously, we've seen lots of losses in Europe this year and undoubtedly, these are causing some pain to the primary players. So I was interested in how do you see the dynamic between demand for more protection and capacity going into renewals? I guess would the primary players want to buy more insurance or do they treat these storms as sort of one-off and even more demand is actually sold by primary players. Would it mean that attachment points we need to come down in order this to get fulfilled. So just interested in how this can play out.

And the second one is your thoughts on Hurricane Otis? And what's your --any thoughts on potential losses coming from that?

John Robert Dacey
Group Chief Financial Officer

So the -- on the first one, I think it's not just Europe, although we've seen in Q3 lots of weather events and obviously, in the Q4 across Europe. But the U.S. has also seen an enormous number of secondary peril events, which typically have been left on the P&Ls of the primary companies. There may be some reinsurance recoveries, but not many. And in this context, I think the hypothesis underlying your question is exactly right. This is not a light nat cat year. The preliminary estimate for -- from the Swiss Re Institute has us at least $80 billion at 9 months on for another $100 billion plus full year.

And in that context, there's clearly been a larger burden carried by the primary industry given the change in attachment points of reinsurers in the renewals to date. So that we do expect a very strong demand from the primary market, it's not clear that we're going to be able to meet in the layers that they might be most interested in getting covered. And so I think there's a lot of discussions to be had between now and January 1 and then during the course of 2024 to figure out what both price levels, but reasonable attachment points might be for the industry. What I can say is, to date, we seem to see a good discipline by the providers of reinsurance to make sure that the economics continue to be adequate for what we're booking, and we'll be able to say more in the coming months.

With respect to the Mexican hurricane, it's too early for us to even have our own loss, much less an industry loss on this. I think the fascinating dynamic there was the velocity of the intensification from a tropical storm to a Category 5 hurricane. And the nature of the hurricane was structurally different than many of the overall size was quite limited. And unfortunately, for the citizens of Acapulco, it was close to a direct hit there. But I think it just reiterates that ocean temperatures matter and the development we saw with this hurricane, but also with Idalia, which formed on the West Coast of Florida in August means that the models need to continue to be evaluated and potentially adjusted for the damage. I think on the Florida case, the industry was just playing lucky for where landfall was made in the Big Bend Wildlife reserve, the damage of hurricane -- a Level 3 hurricane in Florida, probably should be expected to do a lot more in terms of insured losses than what this one actually did. So yes, I think there's reason for people to be concerned.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of James Shuck with Citi.

James Austin Shuck
Citigroup Inc., Research Division

John, my first question, you mentioned in the opening remarks about accelerating deleveraging plans. Perhaps I missed it, but I wasn't -- slightly aware that you hadn't any deleveraging plans. Perhaps you could just elaborate a little bit on that, the $1.5 billion debt buyback. I presume that should be balanced up with [indiscernible] which would be a share buyback. So what you're thinking about an ROI on those 2 things, then it seems to me that they shouldn't be mutually exclusive, but perhaps you could just clarify that.

Second question was around the other expense ratio in PC Re. It went up by I think 90 basis points in Q3. So 5.1 to -- sorry, 9 months, 5.1 to 6. So you mentioned adverse currency. You've also mentioned higher variable compensation. Perhaps you could just sort of revisit what you're doing in terms of cost control and maybe matching versus your actual revenues and earnings because that's quite a big jump. And I guess my question is how sticky is that 6.0. Is it going to rebase back down again going forward?

John Robert Dacey
Group Chief Financial Officer

Sure. So on the first one, the -- what I've -- on the leverage, we've got another $1.3 billion maturing or callable during 2024. And I think we've been fairly clear that the -- we would be retiring a decent amount of bad debt, the acceleration on $1.5 billion I think is all very comforting and brings us down to an overall level after next year's calls or maturities, which would put us at the lower end of the range that we've publicly indicated. So I think that's where we'll likely stand for some time. I agree with you the overall capital strength of the group allows us to do that when you started midyear 314% SST, where the changes in the S&P Capital Market -- capital model have clearly been beneficial to large diversified groups like Swiss Re. So I don't think moving on this debt will have a big impact on the way we think about the potential for share buybacks or other capital repatriations.

On operating expense, we're again, 12 months ago with the losses that we had on Ian, it became clear that we were going to miss all targets in the group, the net income, the P&C Re, CorSo was able to weather it fine, but it was a dramatic shift from where we thought we had been at midyear. And so that we already reduced dramatically the budget for variable compensation based on the strong expectation of a big miss. Instead, with the delivery of the $1 billion of profits and the other -- the quality of the earnings through 9 months here, we're feeling pretty confident about our ability to get back into a positive momentum on variable compensation. And so that's been a big swing year-on-year. But it wouldn't have been a big swing or nearly as big a swing from last year if we hadn't reduced the accruals based on the 9-month loss that we had.

Overall, on cost, we remain committed to keeping core costs flat in spite of the premium growth in all 3 of the businesses. And so you should expect that we are able to maintain a strong cost control for the non-variable dimensions.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Vinit Malhotra with Mediobanca.

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

A lot of my questions have been addressed, but quick ones, please. Just on the motivation to understand the future risk to casualty reserving. I'm just trying to understand, is this 3Q specific charge more linked to the younger years like 2018 and '19? Or would you say it was kind of equally or widely spread in those -- in the 2014 to '19 range you indicated? So that will help us understand if something new was added and then we can kind of feel more comfortable that this is nearing the end of this current cycle of reserves.

So that's the first question. The second thing is just on the sales of bonds at a loss that now you're doing. Should we expect some kind of a pick up in the quarterly run rate that investment income will produce or will probably take some more time, say, a year or 2 before we start seeing more of it? Just a bit of clarity on that.

John Robert Dacey
Group Chief Financial Officer

Yes. So on your first question, I mean, I think, again, over the last couple of years, we were surprised by the strong negative development in 2014 compared to what had been much better behaved previous years to that. And material reserve increases made along the way. I think on the assumption basis, it probably is weighted more towards the '17, '18, '19 as is the curves of '14, '15 and even '16 are flattening out, which is not to say there won't be claims that still come from these years. But we've got IBNRs in place, and I think we're feeling better about it.

I'm not sure I understood the -- exactly the question on the investment income.

Thomas Bohun
Head of Investor Relations

On the realized losses we took, it will have a small positive impact, of course. It wasn't a dramatic amount, but it will continue to benefit the recurring income yield. I think we've guided to around $700 million pick up in the year. We were at $600 million after 3 quarters, so slightly ahead of plan.

John Robert Dacey
Group Chief Financial Officer

And I think part of that is, obviously, the long end of the curve has been very interesting most recently. But even in the short end, our ability to invest consistent with the ALM matching that we obviously pursue has just helped us a lot. So the -- we're looking at about 100 to 120 basis points on new fixed income investments compared to where the current rate is. And it's going to be helpful every quarter. I don't think the actions we took will have a dramatic acceleration in that, but directionally, it will provide us some additional funds next year.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Horvath with BNP Paribas.

Guilhem Horvath

Just one for me, please. Again, on U.S. casualty, but it's a question on pricing. Clearly, pricing on the property side has been much better this year, but I assume you haven't been able to carry sufficient rates in the casualty areas where you've cut back. I'm wondering, do you think you'll have to shrink the casualty book to get it to a sustainable combined ratio? Or you may be a bit more hopeful that market pricing will start to turn more favorable to help you reprice the way you need to.

John Robert Dacey
Group Chief Financial Officer

So the primary market has seen -- and we see this with our -- at least European part, of course. So casualty rates have improved for primary players. There was some confusion over the last 2 years, I think, about what should happen to commission rates for reinsurers. And I think that confusion has disappeared from the market. I think the losses that are coming through make it very clear that rates need to continue to move up and the conditions on which reinsurance is provided should not be a disadvantage compared to where the primary companies are booking their positions. That said, we remain very cautious on U.S. liability, in particular and some of the other U.S. lines where social inflation remains an unsolved problem. And so we will continue to be wary, in particular, what lines we extend and in what economics. We are a large casualty underwriter. We're not abandoning the line of business, but we will be much more selective in where we expose our balance sheet as we go into the 2024 renewals.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question comes from the line of Ivan Bokhmat with Barclays.

Ivan Bokhmat
Barclays Bank PLC, Research Division

I have got a couple of questions on Property actually. I was just wondering if maybe firstly, if you could opine on why has there not been more capital raising in the sector? What do you feel holds back players from deploying more capital at the nat cat and the more broader Property business? And secondly, given your own quite positive experience so far this year, would you expect to deploy a lot more in 2024? Would you expect to deploy more of your own capital? Or we should continue for you to utilize ACP quite extensively.

John Robert Dacey
Group Chief Financial Officer

Thanks for the questions, and thanks for moving on from Casualty. The -- I think there hasn't been a lot of capital raised for 2 reasons. One is most of the players in the market today have adequate capital to write more business should we choose to. And so it's not been a constraint for traditional reinsurers typically. What has been somewhat of a constraint is the price being charged by in the ILS market for retro covers for people that are highly dependent on retro. We're not one of those players. And so we feel less constrained, I think, but everyone knows that we've got the level of capital to be able to deploy should we choose to. I think the biggest issue here is the layers in which we're comfortable participating on. And while we could book large amounts of premiums, if we were to dive down into lower layers, we don't think that's economically smart. And we'd rather stay close to the positions we have today in the various towers. Now to the degree that asset values continue to increase and primary companies need cover in the higher layers as well, we're happy to expand the positions there and in the first case.

The deployment, as you say, looks awfully attractive in the current year given the combined ratios we're showing in Property. I think we shouldn't confuse ourselves. There is some positive underwriting impact that's showing up in that rate. But we've also been, as I said, a little lucky this year. The difference in the losses associated with Idalia and Ian on a market basis is probably $30-plus billion for the industry. And so a similar hurricane hitting different places on the West Coast of Florida has this massive impact. So I think that plus the concerns -- appropriate concerns on secondary perils is probably keeping a fair amount of people on the sidelines, recognizing that these losses are in the market right now being carried by the primary companies, and we'll see how the discussions for the January 1 renewals turn out.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

[Operator Instructions] And we have a follow-up question from Mr. Malhotra, Mediobanca.

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

So for me, the one question remaining is on inflation reserving because I think in the 1H, I think, John, you had mentioned that some of it was conservative. And of course, inflation is kind of maybe coming back in [patent control] and I know wages aren't. But so I'm just curious whether there's anything in these 3Q reserves on inflation. And then if I can use this chance to follow up on this primary debate, is there a risk that the market or the primaries are now hurting and they want something and then reinsurers don't provide it and then they find some other solutions or become a missed opportunity? Or are we still not yet there, you think.

John Robert Dacey
Group Chief Financial Officer

So on your second question, we -- our teams are working very, very closely with 14,000 primary insurance companies around the world to figure out how we can be helpful in managing their risks. I think we won't always give them the answer they want. But generally speaking, we try to be constructive and helpful and working through some of the challenges. I think part of it is just reflecting given our view of risks and the appropriateness of pricing, the fact that the primary companies, broadly speaking, need to continue to get rate for property risks properties exposed to secondary perils in particular. And so if you're going to include a flood rider on a homeowner's policy that you need to charge something appropriate. And when you do that, then you can buy the reinsurance behind it. Again, there might be some issues which -- with attachment points, but that's an easier problem to solve if the overall view of price is in order.

With respect to inflation, again, we did a massive reserve additions in 2022 to cover it forward. We evaluate every quarter what's required. Some of what we reserved probably didn't -- wasn't actually needed in a couple of the lines, as you say, the inflation in a number of sectors is reducing and may not have been as severe as we originally expected. We continue to roll it forward for any new inflationary pressures. But obviously, all the business we priced this year has been priced with an inflation component already built in. What I think is important is the vast majority of what we explained that 6 months was a remaining $1 billion of inflation IBNRs is still in place. So we've not done any giant release here. This will earn out over the coming quarters. Some of it is related to some mid- to longer tail lines. Some of it is still the remnants of shorter tail lines, which in the next 2 or 3 quarters would probably exhaust themselves, but what happens is you simply move these over into the case reserves without a certain level of, I wouldn't say, automatic migration, but something close to that.

Thomas Bohun
Head of Investor Relations

Could we have the next question, please?

Operator

The next question is another follow-up from Mr. Bokhmat, Barclays.

Ivan Bokhmat
Barclays Bank PLC, Research Division

Two rather small questions, but actually related to what Vinit just asked, we have had 2 large cases where you've added significant reserves, one was COVID, where you have been providing us a breakdown of case versus IBNR? And the second one was the Ukraine conflict, maybe here specifically, if you can comment on the recent settlements in the aviation space, do they do much to your loss estimates?

John Robert Dacey
Group Chief Financial Officer

Yes. So we're observing the actions in the aviation space on Ukraine. At this point of time, I don't think they're broad-based enough for us to have a position which would change. I think, again, we've put up approximately $400 million of reserves. Most of those are -- the vast majority are IBNRs and aviation is the largest single category in which those reserves exist. We'll watch the space. There's nothing that's happened that has given us cause for concern that we would need additional reserving. I think is the right way to think about it for the moment.

I don't know if there was a question around COVID. No. Okay. Observed it. We provide information.

Thomas Bohun
Head of Investor Relations

Are there any more questions?

Operator

There are no more questions, so back to you for closing remarks.

Thomas Bohun
Head of Investor Relations

Thank you for all the questions. Should you have any follow-ups, please do not hesitate to contact any member of the IR team. We have our Investors Day in 4 weeks, and we, of course, look forward to welcoming as many of you there as possible. It's taking place here in Zurich, and it's a hybrid event. So with that, thank you again for your questions, and we wish you a nice weekend.

John Robert Dacey
Group Chief Financial Officer

Thank you.

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