Swiss Re delivered a Group net income of USD 727 million, driven by a strong Life & Health Reinsurance result and excellent investment performance.

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The global economy and financial markets

Strong financial market performance despite slowing growth

Growth has decelerated in the US and other major economies. A reversal in monetary policy by major central banks has led to a decline in long-term bond yields, and a rally in global equity markets in 2019.

Global economy

Global growth slowed in 2019 due to a contraction in global industrial output and trade. The rise in uncertainty stemming from the US-China trade dispute resulted in a downturn in business investment and manufacturing output across the world. In the US, real GDP growth decelerated to 2.3% in 2019 as the boost from fiscal stimulus faded. Growth in the Euro area also weakened significantly, falling to 1.2% from a solid 1.9% in 2018, with Germany hit the hardest. In the UK, the pace of economic growth remained close to a 10-year low at 1.4%, as uncertainty around Brexit continued to weigh on investment and manufacturing output. In contrast, Japan's GDP growth accelerated slightly to 0.8% in 2019 from 0.3% in the previous year.

Headline inflation moderated in most markets, tempered by lower oil prices. While underlying inflation (excluding energy prices) was mostly subdued in developed economies, it was more buoyant in the US, in line with strong income growth and tight labour markets. For instance, US real disposable personal income was up 2.9% in 2019, above the 2.7% average since 1990.

Economic growth in emerging Asian markets continued to outperform growth in other regions, despite slowing for the second consecutive year. Real GDP growth in India and China decelerated but remained above the 6% mark in China, at 6.1%, in 2019. Accommodative monetary policy and fiscal measures in China cushioned the drag from the weakening global economic backdrop. Growth in Central and Eastern Europe slowed slightly along with Western European markets, but remained firmly above trend in EU member states. Russia's economy, however, slowed down abruptly, with GDP growth almost halving compared with 2018 to 1.2%. In Latin America, significant deceleration in Mexico and softening in Brazil drove slower growth in the region. Finally, political and economic crises kept some emerging countries in recession, including Turkey, Argentina and Venezuela.

Interest rates

Major central banks made a sharp monetary policy U-turn in 2019. While 2018 had been a year of gradual policy normalisation, the US Federal Reserve cut interest rates three times in steps of 25 basis points in the second half of 2019. The European Central Bank cut the deposit rate to a new record low of −0.5% and restarted open-ended quantitative easing with asset purchases of EUR 20 billion a month in November 2019. The Bank of Japan also continued its expansionary monetary policy, targeting long-term yields close to zero. The main outlier was the Bank of England, which remained on the sidelines amid Brexit uncertainty.

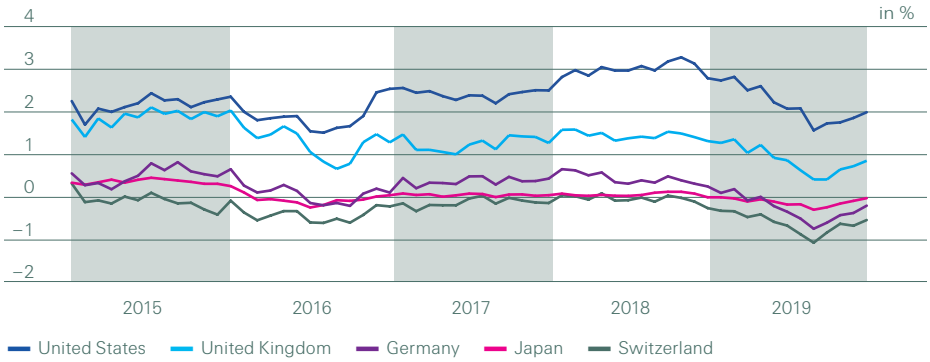
1.9%
US 10-year Treasury bond yield
Year-end 2019

–0.2%
German 10-year Bund yield
Year-end 2019

In emerging markets, central banks also joined the easing trend with the central banks of Russia, Turkey, South Africa, Indonesia, Brazil and Mexico cutting interest rates amid weak growth and falling inflation. Despite a rise in inflation towards the 3%-target at year-end, China's central bank eased monetary policy to cushion the adverse impact from slowing external demand.

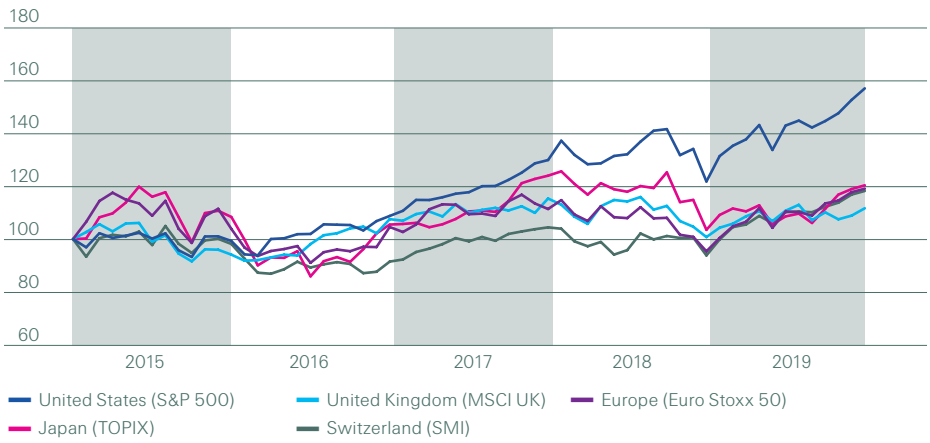
The U-turn in monetary policy led to a sharp downtrend in long-term bond yields across the globe. The US 10-year yield closed the year at 1.9%, down by almost 80 basis points compared with the previous year. Yields in the Euro area also declined significantly, dipping into negative territory. The German 10-year government bond yield ended the year at –0.2% and the UK yield closed at 0.8%. The Japanese yield ended the year at 0%.

Interest rates for 10-year government bonds 2015–2019



Source: Datastream

Stock markets 2015–2019



Source: Datastream

Stock market performance

Despite a softening economic activity and a challenging geopolitical landscape, stock markets performed well in 2019. Equities benefited from the policy U-turn by central banks, which kept monetary policy accomodative, creating a favourable environment for risk assets. This more than offset the negative impact from a slump in earnings growth as margins contracted in the second half of 2019.

However, political and policy uncertainties led to repeated setbacks. Trade tensions between the US and China ebbed and flowed throughout the year, with a number of surprise tariff announcements keeping market participants on their toes. In Italy, the governing coalition broke down and was replaced by a new government. Meanwhile, uncertainty around Brexit peaked after Theresa May stepped down as Prime Minister, resulting in an escalation of no-deal risk before a notable de-escalation towards the end of the year.

US stocks ended the year up 29%. Other major indices also fared well. The Swiss Market Index rose 26% over the year, the Eurostoxx50 was up 25%, the Japanese TOPIX rose 16% and the MSCI UK increased 11% (see stock markets chart).

Currency movements

There was little movement in the US dollar against major currencies in 2019. Policy uncertainty, relatively high US long-term yields and softening growth elsewhere kept demand strong. Over the year, the US dollar strengthened 1.8% against the euro and appreciated by 1.2% against the Chinese renminbi. It was down 4% against the British pound as no-deal Brexit risk receded. It was also down 1.7% versus the Swiss franc, and 1% versus the Japanese yen.

Economic indicators 2018–2019

	US		Eurozone		UK		Japan		China	
	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Real GDP growth[1]	2.9	**2.3**	1.9	**1.2**	1.3	**1.4**	0.3	**0.8**	6.7	**6.1**
Inflation[1]	2.4	**1.8**	1.8	**1.2**	2.5	**1.8**	1.0	**0.5**	2.1	**2.9**
10-Year government bond yields[2]	2.7	**1.9**	0.3	**–0.2**[4]	1.3	**0.9**	0.0	**0.0**	3.3	**3.2**
USD exchange rate[2,3]	–	**–**	114	**112**	127	**132**	0.91	**0.92**	14.5	**14.4**

[1] Yearly average
[2] Year-end
[3] USD per 100 units of foreign currency
[4] German 10-year Bund yield

Source: Swiss Re Institute, Datastream, CEIC

Economic risks affecting re/insurers
Downside risks, which were elevated throughout 2019 amid weak economic resilience, have increased in 2020. Global political developments, coupled with the economic impact of the spread of COVID-19 in particular, triggered high levels of uncertainty.

We expect the outbreak of the novel coronavirus to lead to significant disruptions in economic activity, causing a global recession with global growth well below 1% in 2020. The main negative economic impact is likely to result from the measures to contain the further spread of the virus and a strong tightening in funding conditions. Several sectors such as hospitality, travel and manufacturing are likely to face particularly negative economic consequences. Even economies that are not directly affected by the outbreak will be hit by disruptions in the global supply chain and weaker global demand. While there is considerable uncertainty around the impact of the pandemic, our baseline scenario is for economic activity to normalise gradually going into 2021. However, a wider-than-expected global spread of COVID-19 could result in an even more protracted global economic recession.

Several political risks could also affect the outlook. While Brexit-related uncertainty has abated, there remains a risk of a no-trade-deal exit at the end of the transition period, with serious repercussions for the UK and the EU. In the EU, there are several significant policy challenges, including migration policy and national budgets. Other unresolved issues, such as fragmented financial markets, fragile banking sectors and elevated debt burdens, could also resurface in a recession.

Finally, US-China tensions continue to be unresolved. The signing of the 'Phase One' deal and the focus on the coronavirus have created a hiatus in the dispute between the two countries. We do not expect a meaningful resolution of the trade tensions in the near future, while further escalation remains a risk.

With the monitory policy arsenal largely exhausted and side effects of the ultra-accomodative stance becoming increasingly visible, economies have become less resilient. There will be calls for new approaches such as increased coordination between fiscal and monetary policies to mitigate the economic downturn. This could result in heightened inflation uncertainty and further unsettle financial markets as monetary policy leeway would become more restricted. A scenario of unexpectedly high inflation would also have a sizeable impact on re/insurance claims, especially in casualty lines.

While downside risks dominate, we also see upside potential to our baseline forecast from continued macroeconomic policy support and a de-escalation in the trade conflict. A more positive scenario of stronger growth and contained inflation would be beneficial for the re/insurance industry. Investment yields would improve, albeit only slowly, and premium volumes would rise, along with economic activity.

Primary non-life

2400
Market size in USD billions
Estimated global premium income in 2019

3%
Market performance
Estimated global premium growth in 2019

Market overview

The global primary non-life industry generated around USD 2 400 billion of premium income in 2019, of which 22% came from emerging markets. Non-life insurance ranges from standardised motor and household to sophisticated tailor-made liability and property covers, including specialty, commercial and industrial risk insurance.

Market performance

Premiums rose modestly in most countries and regions in 2019 on the back of moderating economic growth. Global non-life premiums were up an estimated 3% in real terms, after a similar 3% gain in 2018.

Emerging markets were the main driver of global premium growth, expanding by an estimated 7% in 2019. Non-life business in China and India was particularly strong, with premiums up 9% and 11%, respectively, in real terms. Agriculture and health/private medical insurance were the main drivers of growth. Motor also boosted growth in India, but the segment slowed in China due to weaker car sales and intensified competition after market liberalisation. Premium growth in Latin America and Africa was significantly below the long-term trend, reflecting a difficult economic environment in both regions.

Advanced market premiums grew by around 2% in 2019. Rate hardening in commercial insurance supported premium growth in North America and Asia Pacific in particular. In Western Europe, insurance premiums increased by around 1% alongside more moderate economic growth.

Pricing in commercial non-life insurance strengthened again. The third quarter of 2019 marked the 8th consecutive quarter of rate improvements after almost five years of softening. The upswing broadened across lines of business and regions. Overall profitability in non-life insurance, as measured by return on equity (ROE), improved slightly in Europe and Asia Pacific in the first half of the year compared with 2018. In North America, ROE was boosted by significant equity market gains during the first months of 2019.

Generally, underwriting results in the largest non-life markets improved slightly, based on lower catastrophe losses and moderately improving underwriting conditions.

Exceptions were Japan, due to high natural catastrophe losses, and Australia, where double-digit claims growth in all major lines of business led to a significant deterioration in underwriting results. Overall, the reversal of the soft market trend of the recent years was not enough to significantly narrow the profitability gap that still besets the non-life insurance sector.

Market outlook

Against the backdrop of an expected slowing global economy in 2020 and 2021, demand for non-life insurance is expected to increase only moderately, but premium growth will be further supported by positive rate developments.

The profitability outlook remains challenging. We believe interest rates will continue to be very low, with 10-year US Treasury yields likely to remain below 1% over the next two years. As such, any improvement in sector profitability will depend on underwriting performance, highlighting the need for more rate increases and improved underwriting discipline.

Reinsurance non-life

190

Market size in USD billions
Estimated global premium income in 2019

2%

Market performance
Estimated global premium growth in 2019

Market overview

Global non-life reinsurance premiums in 2019 totaled about USD 190 billion, with 28% coming from ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance

We estimate that global premiums in non-life reinsurance grew by around 2% in real terms in 2019, with moderate expansion and stable reinsurance demand in both emerging and advanced markets.

The reinsurance industry currently faces mixed trends. The sector's capital base remains very strong, allowing reinsurers to fulfill their role as the backbone of the primary insurance industry and to support the resilience of societies, businesses and households. The capital position of global reinsurers, the traditional source of capital, went up around 5% to approximately USD 360 billion during 2019. However, the alternative capital sector exhibited its first decline in capacity in 2019, after several years of soaring capital inflows. The capital base went down by 7% to below USD 90 billion at the end of 2019 from USD 95 billion at the end of 2018 due to loss payments and investors withdrawing funds.[1]

At the same time, the reinsurance industry experienced a third year of elevated insurance losses. While 2017 and 2018 were mainly impacted by natural catastrophes, the 2019 claims experience was driven by a broader range of significant losses, including heavy natural catastrophes, loss creep from previous year's catastrophes, man-made disasters such as the Ethiopian Airlines crash and subsequent Boeing 737 MAX fleet grounding, the collapse of the tour operator Thomas Cook, and increasing claims in US liability insurance.

Reinsurance prices, which improved slightly in the 2018 renewals following the 2017 hurricane losses, were broadly stable in the 2019 renewals. There were rate increases in loss-affected lines and regions, but little spill-over into non-loss-affected lines. Preliminary data indicate a combined ratio of around 98% for 2019, an improvement from 101% in 2018.

Overall profits of the reinsurance industry were boosted by the positive development of equity markets and realised gains from further declines in interest rates, which led to an ROE of around 12%. Excluding these windfall gains, however, investment income remained below 3%, and overall profitability was comparably low, with an ROE of 6–8%.

Market outlook

In 2020 and 2021, we expect the reinsurance industry to expand by at least the same growth rate as the primary non-life market. Cessions from emerging markets will likely develop stronger than those from advanced markets, given the higher dynamics of the economy and the primary insurance markets.

We expect broadly stable to improving non-life reinsurance prices as a result of rising claims and the end of abundant retrocession capacity.

[1] Source: Guy Carpenter, 2020 renewal briefing, January 2020

Primary life

2 800
Market size in USD billions
Estimated global premium income in 2019

2%
Market performance
Estimated global premium growth in 2019

Market overview

The global primary life insurance industry generated about USD 2 800 billion in premium income in 2019, of which 20% came from emerging markets. Around 85% of premium income in life insurance is derived from savings and retirement products. The protection business covers a broad spectrum of mortality and morbidity risks.

Market performance

We estimate that global primary life insurance premiums grew by 2% in real terms in 2019, slightly below the average annual growth rate of the last five years. Premium growth in advanced markets remained sluggish: it stagnated in real terms in Europe and advanced Asia Pacific, but expanded in North America, driven by strong annuity sales in the US.

Emerging market premiums expanded by around 9% on average, albeit with large differences across countries. The Chinese life insurance industry is estimated to have resumed its double-digit growth path with premiums up 13% in 2019, driven by protection products. In 2018, the market had contracted following tighter regulation of wealth management products, which had been among the main growth drivers in the past. In emerging Asia, excluding China, life premiums increased by 7% in 2019. Growth in the Middle East and Africa remained weak, while Latin America grew 4% after a decline the year before.

Overall profitability of the global life insurance sector – as measured by GAAP ROE of listed life insurance companies – was healthy at around 10%. Preliminary data for 2019 suggest a slight improvement from 2018. In response to the persistent low interest rate environment, life insurers are moving their product offering away from traditional savings-type policies towards protection products (eg critical illness, disability, long-term care) and unit-linked policies, where the investment risk is borne by the policyholders.

Market outlook

The business outlook for life insurance is clouded by the increasing likelihood of a deeper global recession. In particular, sales for savings-related insurance policies are likely to decrease in 2020, while protection-related business is expected to remain more stable.

Reinsurance life

85

Market size in USD billions

Estimated global premium income in 2019

3%

Market performance

Estimated global premium growth in 2019

Market overview

The size of the global life reinsurance business was around USD 85 billion in 2019. Around 70% of this is attributable to the US, Canada, the UK and China. Ceding companies from emerging markets accounted for 17% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business.

Market performance

We estimate that global life and health reinsurance premiums grew by 3% in 2019. This growth was unevenly distributed between segments and regions. Medical expense reinsurance from emerging markets was up 13%, mainly driven by China and India. In advanced markets, cessions from the US medical expense market drove most of the increase. Globally, this sector grew 7%, contrasting strongly with a more sluggish 1% increase in mortality and health-related reinsurance demand from life insurers.

Against this backdrop, life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers stabilise income and/or bolster their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. Another area of growth has been longevity risk transfer. The availability of longevity reinsurance has become key to the pricing of annuity transactions. Insurers offering those transactions to pension funds typically look to simultaneously access reinsurance capacity to hedge at least part of the associated longevity risk inherent in these lines.

The operating margin of the life reinsurance industry improved to above 8% of revenues in 2019, up from the 7–7.5% achieved between 2015 to 2018. The contribution from investments declined further due to the ongoing low interest rate environment, while underwriting performance improved.

Market outlook

Premium income of life reinsurers are expected to be negatively impacted by declining premiums in primary life in 2020. However, ongoing turmoil in the financial markets could increase the demand for specific risk transfer transactions to bolster balance sheets of primary life insurers.

Summary of financial statements

Income statement

USD millions	2018	2019	Change in %
Revenues			
Gross premiums written	36 406	42 228	16
Net premiums written	34 042	39 649	16
Change in unearned premiums	–167	–1 675	–
Premiums earned	33 875	37 974	12
Fee income from policyholders	586	620	6
Net investment income – non-participating business	4 075	4 171	2
Net realised investment gains/losses – non-participating business	65	1 580	–
Net investment result – unit-linked and with-profit business	–1 593	4 939	–
Other revenues	39	30	–23
Total revenues	37 047	**49 314**	33
Expenses			
Claims and claim adjustment expenses	–14 855	–18 683	26
Life and health benefits	–11 769	–13 087	11
Return credited to policyholders	1 033	–4 633	–
Acquisition costs	–6 919	–7 834	13
Operating expenses	–3 432	–3 579	4
Total expenses before interest expenses	–35 942	**–47 816**	33
Income before interest and income tax expense	1 105	**1 498**	36
Interest expenses	–555	–589	6
Income before income tax expense	550	909	65
Income tax expense	–69	–140	103
Net income before attribution of non-controlling interests	481	**769**	60
Income attributable to non-controlling interests	–19	–42	121
Net income after attribution of non-controlling interests	462	**727**	57
Interest on contingent capital instruments, net of tax	–41		–100
Net income attributable to common shareholders	421	**727**	73

Changes in equity

USD millions	2018	2019	Change in %
Total shareholders' equity as of 1 January	34 124	27 930	–18
Net income attributable to common shareholders	421	727	73
Dividends	–1 592	–1 659	4
Change in unrealised gains/losses on securities, net	–2 841	3 247	–
Change in other-than-temporary impairment, net of tax	–1	2	–
Change in foreign currency translation	–356	110	–
Purchase/sale of treasury shares and share based payments	–1 402	–1 166	–17
Other changes in equity	–423	60	–
Total shareholders' equity as of 31 December	27 930	**29 251**	5
Non-controlling interests	797	1 786	124
Total equity as of 31 December	28 727	**31 037**	8

Summary balance sheet

USD millions	2018	**2019**	Change in %
Assets			
Fixed income securities	95 952	81 573	–15
Equity securities	3 036	2 993	–1
Other investments	13 351	12 892	–3
Short-term investments	5 417	5 768	6
Investments for unit-linked and with-profit business	29 546	520	–98
Cash and cash equivalents	5 985	7 562	26
Deferred acquisition costs	8 217	7 838	–5
Acquired present value of future profits	1 818	1 042	–43
Reinsurance recoverable	7 058	5 898	–16
Other reinsurance assets	22 798	24 743	9
Goodwill	4 071	3 945	–3
Other	10 321	9 354	–9
Assets held for sale[1]		74 439	–
Total assets	207 570	**238 567**	15
Liabilities and equity			
Unpaid claims and claim adjustment expenses	67 446	72 373	7
Liabilities for life and health policy benefits	39 593	19 836	–50
Policyholder account balances	31 938	5 405	–83
Other reinsurance liabilities	15 865	17 775	12
Short-term debt	1 633	185	–89
Long-term debt	8 502	10 138	19
Other	13 866	13 232	–5
Liabilities held for sale[1]		68 586	–
Total liabilities	178 843	**207 530**	16
Shareholders' equity	27 930	**29 251**	5
Non-controlling interests	797	1 786	124
Total equity	28 727	**31 037**	8
Total liabilities and equity	207 570	**238 567**	15

[1] Please refer to Note 11 "Assets held for sale" for more details.

Group results

Swiss Re reported a full-year 2019 net income of USD 727 million, driven by a strong Life & Health Reinsurance result and excellent investment performance.

Christian Mumenthaler
Group Chief Executive Officer

> Our 2019 results were impacted by heavy natural catastrophe losses, our decisive management actions to reposition Corporate Solutions and increased claims in US casualty. On the other hand, we delivered an excellent investment result and strong performance in L&H Re, demonstrating the power of our diversified business model.

Strategy and priorities

Swiss Re's purpose is to make the world more resilient and act as the ultimate shock absorber for societies and communities. We collect premiums and risk from all over the world, diversify the risks on our balance sheet and pay out claims to those who have been hit by catastrophes. Our business strategy is centred around diversifying our access to risk pools by leveraging our risk knowledge, unique client access and capital strength to achieve our financial targets and create sustainable value for all stakeholders.

The Reinsurance Business Unit remains the core engine of profitability, delivering a market-leading combination of shareholder returns and capital repatriation for the Group. Long-term performance of Property & Casualty Reinsurance (P&C Re) remains strong, despite significant natural catastrophe claims in recent years. Life & Health Reinsurance (L&H Re) is delivering peer-leading returns underpinned by global diversification and strong growth in Asia. In line with our strategy, we are profitably expanding our Reinsurance business through our capabilities in underwriting large transactions and providing innovative solutions. At the same time, we are also accessing corporate and retail market risk directly, through our Corporate Solutions and Life Capital Business Units, respectively. Asset Management is consistently generating attractive returns while taking an industry-leading approach focused on Environmental, Social and Governance (ESG) criteria, leveraging our financial markets expertise and benefiting from our flexible investment platform built on the latest technology and advanced analytics.

An integral part of the Group strategy relies on monetising our research and development (R&D) capabilities, thereby cementing Swiss Re's position as the leading risk knowledge company. We are running 80 R&D programmes with 450 dedicated FTEs and investing about USD 300 million a year in key technology projects. The aim is to strengthen Swiss Re's proprietary risk knowledge and to advance our capabilities to enter new risk pools, compete and advise. In particular, platforms such as iptiQ, the digital B2B2C business, and Magnum, the leading automated underwriting solution for L&H Re, are becoming a significant business driver.

In Corporate Solutions, we took decisive management actions in 2019 to return this business to profitability. These measures included cost cutting, reserve strengthening, as well as a reduction in risk exposures in specific lines of business. Portfolio repositioning will allow Corporate Solutions to focus on selected profitable segments, where we are seeing an improving price environment. The next steps in business transformation will focus on de-commoditisation of its core portfolio, selective growth with differentiating capabilities such as innovative risk solutions and expansion through tech-driven initiatives.

Life Capital is successfully transitioning to a dynamically growing, digital B2B2C business. In line with our objective to deconsolidate our UK subsidiary ReAssure, Swiss Re entered into an agreement to sell this closed-book business to Phoenix Group Holdings plc in December 2019. The transaction has a compelling strategic rationale and valued ReAssure at GBP 3.25 billion. The sale is expected to close in mid-2020, subject to regulatory and antitrust approvals. We also continue to expand our open book businesses. In particular, iptiQ is developing dynamically and averaged more than 4 000 policy sales a week, with significant expansion opportunities geographically.

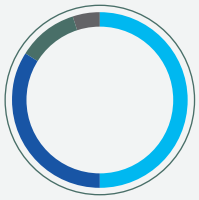
Performance

Swiss Re reported net income of USD 727 million for the year, compared with USD 421 million for 2018, driven by strong L&H Re results and excellent investment performance. The Group's property and casualty businesses were impacted by natural catastrophes and man-made losses, as well as ongoing trends in US casualty business. The Group's net operating margin[1] increased to 3.4% compared with 2.9% in the prior year.

Reinsurance generated a net income of USD 1.3 billion, compared with USD 1.1 billion in 2018. P&C Re reported a net income of USD 396 million in 2019, up from USD 370 million in 2018. The current year's result benefited from profitable business growth and a very strong investment result, while both years were adversely impacted by large natural catastrophe losses.

Net premiums and fees earned by business segment, 2019

Total: USD 38.6 billion



- **50%** P&C Reinsurance
- **34%** L&H Reinsurance
- **11%** Corporate Solutions
- **5%** Life Capital

[1] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

4.2
Net investment income in USD billions, 2019
(2018: USD 4.1 billion)

4.7%
Group return on investments, 2019
(2018: 2.8%)

Claims in 2019 primarily stemmed from Typhoon Hagibis and Typhoon Faxai in Japan, Hurricane Dorian in the Atlantic, and wildfires, floods and hailstorms in Australia, as well as losses from the Ethiopian Airlines crash and the subsequent grounding of the Boeing 737 MAX fleet. The result was further impacted by late claims development from Typhoon Jebi. The net operating margin decreased slightly to 3.8% in 2019 from 4.3% in 2018.

L&H Re contributed a net income of USD 899 million in 2019, up from USD 761 million in 2018. The underwriting result included a negative adjustment to the carrying value of an existing treaty, which had to be fair valued following the acquisition of Old Mutual Wealth Life Assurance Limited by ReAssure from Quilter plc. This was partially offset by active portfolio management and improved mortality development in the Americas. The net operating margin increased to 10.0% in 2019 from 9.4% in the previous year.

Corporate Solutions incurred a net loss of USD 647 million in 2019, compared with a net loss of USD 405 million in 2018. The current year's result reflected management actions to reposition the business and large and medium-sized man-made losses, mainly from prior accident years related to the recent deterioration in US casualty. The net operating margin was –16.7% and –11.1% for 2019 and 2018, respectively.

Life Capital reported a net loss of USD 177 million in 2019, compared with a net income of USD 23 million in 2018, mainly due to a charge related to the agreement to sell ReAssure. Excluding this one-time accounting impact, net income rose to USD 53 million, Life Capital's net operating margin declined to 2.4% in 2019 from 3.9% in 2018.

Shareholders' equity, excluding non-controlling interests, increased to USD 29.3 billion at the end of 2019, up from USD 27.9 billion at the end of 2018. The rise was mainly driven by net income of USD 0.7 billion and unrealised gains on fixed income securities of USD 3.2 billion, partially offset by a payment to shareholders of USD 2.6 billion for the 2018 regular dividend and the share buyback programmes.

Swiss Re achieved a return on equity (ROE) of 2.5% for 2019, compared with an ROE of 1.4% in 2018.

Earnings per share for 2019 were USD 2.46 or CHF 2.46, compared with USD 1.37 or CHF 1.34 for 2018.

Book value per share stood at USD 100.64 or CHF 97.46 at the end of 2019, compared with USD 93.09 or CHF 91.72 at the end of 2018. Book value per share is based on shareholders' equity and excludes non-controlling interests.

Business performance

Net premiums earned and fee income for the Group amounted to USD 38.6 billion for 2019, an increase of 12.0% year-on-year. At constant exchange rates, net premiums earned and fee income increased by 15.0%.

Gross premiums written increased by 16.0% to USD 42.2 billion in 2019, driven primarily by growth in P&C Re.

P&C Re contributed USD 19.3 billion of net premiums earned in 2019, up 19.8% from USD 16.1 billion in 2018, reflecting large transactions and growth in the natural catastrophe business. At constant exchange rates, net premiums earned increased by 23.0% year-on-year.

The P&C Re combined ratio increased to 107.8% in 2019 from 104.0% in the prior year, mainly due to unfavourable prior-year development and a higher large loss burden.

L&H Re net premiums earned and fee income increased 1.3% to USD 13.0 billion, affected by unfavourable foreign exchange movements and the termination of an intragroup retrocession agreement with Life Capital. At constant exchange rates, premiums earned and fee income increased by 4.5%.

Corporate Solutions net premiums earned were USD 4.2 billion for 2019, up 6.1% from the previous year, as double-digit rate increases and growth in targeted lines of business more than offset the impact from active pruning of selected underwriting portfolios. At constant exchange rates, net premiums earned increased 7.3% year-on-year. The Corporate Solutions combined ratio was 127.9% in 2019, compared with 117.5% in the previous year, mainly due to exceptionally severe and frequent large- and medium-sized man-made losses from prior accident years and reserve increases.

Net premiums earned and fee income for Life Capital increased to USD 2.1 billion in 2019 from USD 1.6 billion in the prior year, driven by growth in the open book life and health insurance business and the termination of an intra-group retrocession agreement with L&H Re. Life Capital continued to generate significant gross cash[2] amounting to USD 1.1 billion in 2019, compared with USD 818 million in 2018.

Investment result and expenses

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 134.5 billion at the end of 2019, from USD 122.6 billion at the end of 2018. The increase was largely driven by the impact of declining interest rates and credit spread tightening, as well as favourable foreign exchange movements.

The return on investment (ROI) was 4.7% for 2019, compared with 2.8% in 2018, reflecting strong equity market performance, as well as additional gains within the fixed income portfolio.

The Group's non-participating net investment income increased to USD 4.2 billion in 2019 from USD 4.1 billion in the prior year, demonstrating the stability of the recurring investment income.

The Group reported non-participating net realised investment gains of USD 1.6 billion in 2019, compared with USD 0.1 billion in 2018. The increase was primarily due to the contribution from equity securities and additional gains on sales of fixed income securities.

Acquisition costs for the Group amounted to USD 7.8 billion in 2019, up from USD 6.9 billion in 2018, driven primarily by growth in P&C Re.

Operating expenses were USD 3.6 billion in 2019, compared with USD 3.4 billion in 2018. The year-on-year increase of 4.3% was primarily driven by expenses related to the suspended initial public offering of and subsequently, the agreement to sell ReAssure.

Interest expenses increased by 6.1% to USD 589 million in 2019 from USD 555 million in the prior year.

The Group reported a tax charge of USD 140 million on a pre-tax income of USD 909 million for 2019, compared with a tax charge of USD 69 million on a pre-tax income of USD 550 million for 2018. This translated into an effective tax rate in the current and prior-year reporting periods of 15.4% and 12.5%, respectively. The tax rate in 2019 was largely driven by tax benefits from effective settlement of tax audits and tax-exempt income, partially offset by tax charges from other income-based taxes and non-deductible expenses.

[2] Gross cash generation is the estimated net cash arising from business activity within the Life Capital Business Unit during the reporting period taking into account both surplus development and certain capital actions. It is calculated gross across both Swiss Re's and MS&AD Insurance Group Holdings Inc's interest in ReAssure.

Reinsurance

As windstorms, floods, earthquakes and wildfires continued to hit communities around the world, reinsurance again served as a key resilience tool.

Moses Ojeisekhoba
CEO Reinsurance

> We are working with our clients and partners to increase resilience around the world by providing insurance coverage and developing new solutions for our society's growing challenges.

Climate change impacts

As the world watches the number of major devastating weather events tick upward, we see the knock-on effects of events like wildfires, drought and floods contribute to an ever-growing protection gap. These so-called "secondary perils" can either spin off from a "primary peril" like a hurricane or earthquake, making such natural disasters even more dangerous, or result from more weather extremes linked to prolonged hot spells or heavy rain. They show no mercy and wreak havoc every year on the millions of households and businesses in their path.

These dangers are of particular concern in the world's growing cities and densely populated areas which are exposed to rising temperatures and heavier precipitation. In recent years, such events accounted for more than half of all insured natural catastrophe losses.

The positive impact of reinsurance

In 2019, Reinsurance helped people, businesses and communities by paying out more than USD 12 billion in property and casualty claims. The benefits of reinsurance were not only felt by those impacted by natural catastrophes or other property or casualty losses. During 2019, through the use of mortality payments, Reinsurance supported 142 000 family members who lost a loved one. It is our financial strength and stability that allows us to make insurance payouts promptly, making a difference to people in their time of need.

Resilience is at the heart of our strategy
The strategy of Swiss Re's Reinsurance Business Unit is focused on differentiation, which is driven by three key assets:

1. Direct access to our clients, in particular our C-Suite access, which allows us to understand their specific needs and deliver tailored solutions.

2. Our risk knowledge, built up over more than 150 years, which helps us build actionable solutions to close existing and growing protection gaps.

3. Our capital strength, which allows us to promptly pay claims.

Differentiation helps us navigate an evolving industry, where change is driven by factors including digitalisation and technology, geopolitical tensions and persistently low interest rates. To continue to be effective and help our clients succeed in this complex environment, we have developed a strategy that moves from solving traditional business problems to responding to future needs. Through the three pillars of Core, Transactions and Solutions, we respond to today's risks, while fulfilling a key role in maintaining society's resilience.

Core is our traditional business, focused on transferring an insurance risk from a client's balance sheet to our own, while also deploying technology to make processes more efficient. Transactions are large and complex deals that we can complete thanks to our execution ability and the strength of our balance sheet. Our Solutions are all about working alongside our clients to help them grow their underlying business. Joint risk sharing ensures an alignment of interest and makes us an even stronger partner.

Keeping our edge, now and in the future
These are challenging times for our industry, and we need to be a step ahead of risk, predicting loss trends and providing a compelling risk-return balance for our capital providers. We continue to focus on capital allocation to risk pools and on extending the reach of our products, to make them more accessible and inclusive and help to close the protection gap.

Property & Casualty Reinsurance

Property & Casualty Reinsurance

Property & Casualty Reinsurance (P&C Re) reported a net income for 2019 of USD 396 million compared with USD 370 million in 2018. The result reflected large natural catastrophe and man-made losses of USD 2.3 billion as well as proactive measures to address ongoing trends in US casualty. This was balanced by profitable business growth, driven by large transactions and growth in natural catastrophe business, as well as by a very strong investment result. The large natural catastrophe losses were mainly driven by typhoons Hagibis and Faxai in Japan, Hurricane Dorian in the Atlantic and wildfires, floods and hailstorms in Australia. The result was further impacted by late claims development for Typhoon Jebi. In addition, large man-made losses included the Ethiopian Airlines crash and the subsequent grounding of the Boeing 737 MAX fleet. The net operating margin decreased from 4.3% to 3.8%.

The investment result increased by 68.8% to USD 2.3 billion, driven by gains on sales of fixed income securities and market value gains on equity securities. The return on investments was 4.3%.

Property & Casualty Reinsurance results

USD millions	2018	**2019**	Change in %
Revenues			
Gross premiums written	16 545	21 562	30
Net premiums written	16 098	20 882	30
Change in unearned premiums	–3	–1 607	–
Premiums earned	16 095	**19 275**	20
Net investment income	1 380	1 419	3
Net realised investment gains/losses	–16	883	–
Other revenues	36	18	–50
Total revenues	17 495	**21 595**	23
Expenses			
Claims and claim adjustment expenses	–11 614	–14 783	27
Acquisition costs	–4 012	–4 810	20
Operating expenses	–1 114	–1 189	7
Total expenses before interest expenses	–16 740	**–20 782**	24
Income before interest and income tax expense	755	**813**	8
Interest expenses	–313	–352	12
Income before income tax expense	442	**461**	4
Income tax expense	–72	–65	–10
Net income attributable to common shareholders	370	**396**	7
Claims ratio in %	72.2	76.7	
Expense ratio in %	31.8	31.1	
Combined ratio in %	104.0	107.8	

Premiums

Gross premiums written increased by 30.3% to USD 21.6 billion in 2019. Net premiums earned were USD 19.3 billion for 2019, up from USD 16.1 billion in the prior period. The increase was driven by large transactions in the Americas and EMEA, as well as growth in the natural catastrophe business.

Combined ratio

The P&C Re combined ratio was 107.8% in 2019, compared with a reported combined ratio of 104.0% in 2018. The impact from natural catastrophes of USD 1.9 billion in 2019 was 3.5 percentage points above the expected level for the year. The unfavourable prior-year development negatively impacted the combined ratio by 3.5 percentage points in 2019.

Administrative expense ratio[1]

The administrative expense ratio decreased to 6.2% in 2019 from 6.9% in 2018, reflecting higher net premiums while expenses remained contained.

Lines of business

The property combined ratio increased to 101.3% in 2019, compared with 99.9% a year earlier. While both periods were impacted by large natural catastrophe losses, the deterioration was driven by an adverse prior-year development in 2019, mainly due to late claims from Typhoon Jebi, partly compensated by reserve releases from large losses.

The casualty combined ratio increased to 116.6% in 2019, up from 110.6% in 2018.

The specialty combined ratio deteriorated to 95.3% in 2019 compared with 93.4% in 2018. The current period included the impact of the Ethiopian Airlines crash and the subsequent Boeing 737 MAX fleet grounding, partly offset by favourable prior-year developments, mainly in marine and credit & surety businesses.

[1] Operating expenses divided by premiums earned

Investment result

The return on investments was 4.3% for 2019, up from 2.4% in 2018, reflecting an increase in the investment result of USD 1 080 million, mainly driven by additional net realised gains.

Net investment income increased by USD 36 million to USD 1 310 million for 2019, driven by a higher invested asset base.

Net realised gains, were USD 985 million for 2019 compared with net realised losses of USD 63 million for the prior period. The increase was driven by both additional gains on sales of fixed income securities and market value gains on equity securities, given strong equity market performance.

Insurance-related investment results and foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Shareholders' equity decreased to USD 8.3 billion as of 31 December 2019 from USD 9.5 billion on 31 December 2018, primarily driven by dividends paid to the Group of USD 1.4 billion and the capitalisation of inter-segmental payables and receivables following a change in presentation of historic inter-company expense balances. This was partially offset by the net changes in unrealised gains/losses and net income. The return on equity for 2019 was 4.4% compared with 3.7% in 2018.

Outlook

Renewals of loss-affected natural catastrophe business in January 2020 experienced favourable rate increases. Property insurance rates are generally hardening for business exposed to tropical cyclones and in loss-affected areas. In other areas the rates are broadly stable.

The Business Unit observed rate increases for loss-affected lines and markets within specialty lines and otherwise stable terms and conditions.

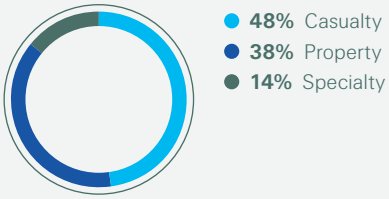
For casualty, Swiss Re saw strong rate increases in the US for Excess of Loss treaty business and improvements on proportional treaty business, supported by the material rate increases on the primary side as a response to the growing loss trends. In EMEA and Asia, the outlook for casualty rates is stable.

The Business Unit continues to see some good opportunities for transactions and will participate in those that meet its return requirements.

Swiss Re is closely monitoring the developments of the current SARS-CoV-2 coronavirus pandemic. Depending on further developments, the Business Unit may see an impact on contingency coverages it provided, e.g. event cancellation covers.

Premiums earned by line of business, 2019

Total: USD 19.3 billion



Life & Health Reinsurance

Life & Health Reinsurance

Life & Health Reinsurance (L&H Re) reported a strong net income for 2019 of USD 899 million, compared with USD 761 million in 2018. The underwriting result included a negative adjustment to the carrying value of an existing treaty, which had to be fair valued following the acquisition of Old Mutual Wealth Life Assurance Limited by ReAssure from Quilter plc, reflecting the decrease in interest rates since treaty inception. As a result, L&H Re rebalanced its asset portfolio, realising gains of a similiar magnitude. Excluding this adjustment, the underwriting result was higher than in 2018, driven by active portfolio management and improved mortality developments in the Americas.

The investment result was very strong, reflecting higher net realised gains from sales of fixed income securities and market value gains on equity securities. The return on equity was 12.4%, compared with 11.1% in 2018, above the business segment's target range of 10–12%.

Premiums

Net premiums earned and fee income in 2019 increased by 1.3% to USD 13.0 billion from USD 12.8 billion for the prior year. Gross premiums written decreased by 0.5% to USD 14.5 billion, reflecting unfavourable foreign exchange movements and the termination of an intra-group retrocession agreement with Life Capital. Adjusting for these two items, gross premiums written increased by 5.6%.

Net operating margin

The net operating margin for 2019 was 10.0%, an increase from 9.4% in 2018 due to strong investment performance.

Management expense ratio

The management expense ratio was 5.2%, a decrease from 5.4% in 2018, reflecting lower operating expenses and higher premium volumes.

Life & Health Reinsurance results

USD millions	2018	**2019**	Change in %
Revenues			
Gross premiums written	14 527	14 452	–1
Net premiums written	12 647	12 734	1
Change in unearned premiums	36	101	–
Premiums earned	12 683	**12 835**	1
Fee income from policyholders	152	169	11
Net investment income – non-participating business	1 305	1 207	–8
Net realised investment gains/losses – non-participating business	347	628	81
Net investment result – unit-linked and with-profit business	–33	118	–
Other revenues	1	4	–
Total revenues	14 455	**14 961**	4
Expenses			
Life and health benefits	–10 280	–10 587	3
Return credited to policyholders	–5	–162	–
Acquisition costs	–2 045	–1 975	–3
Operating expenses	–758	–746	–2
Total expenses before interest expenses	–13 088	**–13 470**	3
Income before interest and income tax expense	1 367	**1 491**	9
Interest expenses	–410	–445	9
Income before income tax expense	957	**1 046**	9
Income tax expense	–155	–147	–5
Net income before interest on contingent capital instruments	802	**899**	12
Interest on contingent capital instruments, net of tax	–41		–100
Net income attributable to common shareholders	761	**899**	18
Management expense ratio in %	5.4	5.2	
Net operating margin in %	9.4	10.0	

Lines of business

Income before interest and income tax (EBIT) for the life segment decreased to USD 581 million for 2019, from USD 720 million in the prior year. The result in 2019 was adversely impacted by the carrying value adjustment following the acquisition of Old Mutual Wealth Life Assurance Limited by ReAssure. Excluding this item, the result benefited from active portfolio management and improved mortality developments in the Americas.

EBIT for the health segment was USD 258 million in 2019, compared with USD 355 million in the prior-year period. The 2019 result reflected the impact from an update of the assumptions for the Group business in Asia, experience and model improvements in EMEA and increased operating expenses in line with premium growth.

Investment result

The return on investments for 2019 was 5.0%, up from 3.7% in 2018, reflecting an increase in the investment result of USD 480 million.

Net investment income decreased slightly by USD 15 million to USD 1113 million in 2019. The running yield for 2019 was 3.3%.

Net realised gains were USD 687 million for 2019, compared with USD 192 million for the prior period, with the current period positively impacted by gains from sales of fixed income securities and market value gains on equity securities.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Shareholders' equity increased to USD 8.3 billion as of 31 December 2019 from USD 6.3 billion as of 31 December 2018. The increase of USD 2.0 billion reflects a change in net unrealised gains and net income for the period, partly offset by the dividend paid to the Group.

Return on equity was 12.4% in 2019, up from 11.1% in 2018.

Outlook

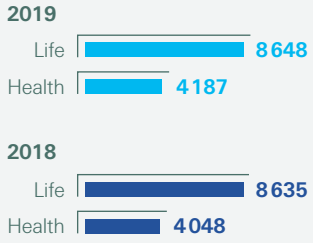
The Business Unit expects increases in life and health treaty reinsurance new business to be driven by high-growth markets, with more modest growth in mature markets. In mature markets, the prolonged low interest rate environment continues to have an unfavourable impact on long-term life business. Cession rates are expected to be broadly stable in major markets. The Business Unit sees a continued strong focus of clients on capital, risk and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions.

Swiss Re will continue to pursue growth opportunities in high-growth markets and in large transactions, including longevity deals. L&H Re is responding to the expanding need for health protection driven by ageing societies, and is applying its risk knowledge to help reduce the protection gap in all regions.

Since the emergence of the SARS-CoV-2 coronavirus, we observe changes in the volumes of new business sales in some markets due to the reduced personal interaction between consumers and sales agents. The situation is changing rapidly and Swiss Re is closely monitoring developments.

Premiums earned by line of business, 2019

Total: USD 12.8 billion



Corporate Solutions

Corporate Solutions' results were impacted by decisive management actions to reposition the business and strengthen reserves. The result was also affected by large and medium-sized man-made losses, mainly from the prior accident years related to the recent deterioration in US casualty.

Andreas Berger
CEO Corporate Solutions

> 2019 was a difficult year for Corporate Solutions. However, we are actively managing risk exposure and correcting the price deficiencies to ensure a more focused and profitable portfolio going forward.

Strategy and priorities

As communicated with half-year 2019 results, Corporate Solutions has carried out a strategic review of its portfolio to address recent underperformance. In addition to increasing reserves and reinsurance protection, decisive management actions include portfolio pruning measures to ensure a more focused and profitable portfolio going forward. Portfolio repositioning, together with efficiency improvements and accelerated momentum in insurance rates, will help Corporate Solutions return to underwriting profitability with an estimated normalised combined ratio of 105% in 2020. The target normalised combined ratio for 2021 remains 98%.

Performance

Net loss was USD 647 million in 2019 with a net operating margin of –16.7%, compared with a net loss of USD 405 million in 2018 with a net operating margin of –11.1% for the previous period. The 2019 result reflected management actions to address underperformance and increased claims in US casualty business. It was also impacted by a high frequency and severity of large and medium-sized man-made losses, mainly from the prior accident years, with a claims burden of USD 1.1 billion. The investment result was higher year-on-year, mainly due to realised gains from sales of fixed income securities and market value gains on equity securities. The 2019 result was supported by higher realised gains from insurance in derivative form. From 1 July 2019, Corporate Solutions entered into an Adverse Development Cover (ADC) with Property & Casualty Reinsurance to protect accident years 2012–2018 across its portfolio.

Premiums

Net premiums earned were USD 4.2 billion in 2019, an increase of 6.1% year-on-year, driven by significant rate increases and growth in many lines of business, which more than offset the active pruning of several portfolios, including US general liability. Gross premiums written increased by 6.0% to USD 5.0 billion in 2019.

Combined ratio

The Business Unit's combined ratio increased to 127.9% in 2019 from 117.5% in 2018, mainly due to large and medium-sized man-made losses from prior accident years and reserve increases as part of the management actions taken in 2019.

Lines of business

The property combined ratio for 2019 improved by 1.3 percentage points to 116.6%, driven by lower natural catastrophe losses, partially offset by higher man-made losses.

The casualty combined ratio increased to 137.6% in 2019, mainly as a result of adverse prior-year development. The casualty combined ratio includes the full recovery from the ADC, as the majority of the reserves covered under the ADC agreement are casualty reserves.

The specialty combined ratio for 2019 deteriorated by 22.7 percentage points to 129.2%, impacted by higher large losses, including the compulsory liquidation of Thomas Cook in the third quarter.

Investment result

The return on investments was 3.4% for 2019, compared with 2.1% in 2018, reflecting an increase in the investment result of USD 124 million.

Net investment income increased by USD 16 million to USD 240 million in 2019, mainly due to a higher running yield.

Net realised gains were USD 84 million, up from net realised losses of USD 24 million in 2018. The current year result benefited from realised gains from sales of fixed income securities and market value gains on equity securities.

Corporate Solutions results

USD millions	2018	**2019**	Change in %
Revenues			
Gross premiums written	4694	4974	6
Net premiums written	4122	4253	3
Change in unearned premiums	–197	–87	–56
Premiums earned	3925	**4166**	6
Net investment income	207	234	13
Net realised investment gains/losses	16	162	–
Other revenues	3	5	67
Total revenues	4151	**4567**	10
Expenses			
Claims and claim adjustment expenses	–3241	–3900	20
Acquisition costs	–607	–640	5
Operating expenses	–763	–788	3
Total expenses before interest expenses	–4611	**–5328**	16
Loss before interest and income tax expense	–460	**–761**	65
Interest expenses	–24	–40	67
Loss before income tax expense	–484	**–801**	65
Income tax expense/benefit	75	143	91
Net loss before attribution of non-controlling interests	–409	**–658**	61
Income attributable to non-controlling interests	4	11	175
Net loss attributable to common shareholders	–405	**–647**	60
Claims ratio in %	82.6	93.6	
Expense ratio in %	34.9	34.3	
Combined ratio in %	117.5	127.9	

Insurance-related derivative results and foreign exchange gains/losses are not included in the investment figures.

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 89 million in 2019, compared with USD 30 million in 2018.

Shareholders' equity

Shareholders' equity increased to USD 2.0 billion since the end of 2018, due to the Group's injection of USD 600 million capital in the second quarter of 2019 and unrealised investment gains, partly offset by the net loss for the period.

The return on equity was –34.1% in 2019, compared with –19.4% in 2018.

Outlook

Market momentum substantially accelerated throughout 2019. Terms and conditions tightened in parallel. Swiss Re expects the positive momentum in commercial insurance rates to continue after achieving a broad-based 12% price quality increase in 2019 (17% in the fourth quarter), which we expect will have a positive effect on the Business Unit's profitability. Further rate hardening is required until the price level is sufficient across all lines of business. Corporate Solutions expects to realise the benefits from the 2019 management actions in its financial results in 2020 and 2021.

Swiss Re is closely monitoring the developments of the current SARS-CoV-2 coronavirus pandemic. Depending on future developments, Corporate Solutions may see an impact in certain lines of business, including credit & surety, property and other specialty lines.

Life Capital

Life Capital accelerated its transition to a dynamically growing, digital B2B2C business, creating improved access to risk pools.

Thierry Léger
CEO Life Capital

> 2019 was a pivotal year for Life Capital. With the agreement to sell ReAssure, we took a definitive step in our transition to a B2B2C business focused on making insurance more accessible and affordable for people globally – both through our digital platform iptiQ and our Group Life & Health business, elipsLife.

Strategy and priorities
During 2019, Life Capital further accelerated its transition to a dynamically growing, digital B2B2C business.

A significant step in this transformation was the agreement to sell Life Capital's UK closed book business, ReAssure, to Phoenix Group Holdings plc. As previously communicated, Swiss Re's goal has been to deconsolidate ReAssure by reducing its ownership below 50%. The transaction, which is expected to close in mid-2020, subject to regulatory and antitrust approvals, valued ReAssure at GBP 3.25 billion. Earlier in the year, ReAssure agreed to acquire the UK closed book business of Quilter plc, adding over 0.2 million customer policies and GBP 12 billion of assets to ReAssure's platform. This transaction closed on 31 December 2019.

In the open book business, Life Capital continues to use technology to enable both elipsLife and iptiQ to achieve efficiencies and profitable growth and focuses on expanding both platforms globally. In 2019, the strong growth in these businesses continued, with gross written premiums increasing 22% year-on-year when measured at constant exchange rates.

Steady growth in elipsLife's mature markets allowed the business to expand into new markets, including the US. Meanwhile, iptiQ expanded into property & casualty personal lines in Europe. By the end of 2019, iptiQ had onboarded 29 partners, providing protection to more than 377 000 customers globally, and leading to an estimated valuation of USD 1–1.5 billion.

Life Capital made the first steps towards expanding into Asia in 2019, where significant potential for future growth is expected.

Performance

In 2019, Life Capital reported a net loss of USD 177 million, including a USD 0.2 billion charge in connection with the agreement to sell ReAssure. Excluding this charge, net income was USD 53 million, an increase from USD 23 million in 2018. The current year result benefited from strong investment results, partially offset by expenses related to the separation of ReAssure into a standalone group and operating costs arising from the continued growth in the open book businesses.

The net operating margin in 2019 was 2.4%, compared with 3.9% in the prior year, in line with movements in income.

Life Capital generated significant gross cash of USD 1.1 billion in 2019, compared with USD 818 million in the prior year. The gross cash generated in 2019 was mainly driven by the proceeds from the sale of subordinated bonds issued by ReAssure and a 10% stake sale in ReAssure to MS&AD Insurance Group Holdings Inc, partially offset by the impact of ReAssure recapitalisation ahead of separation. Consistent with the transition of Life Capital, the Group will no longer disclose the gross cash generation for 2020 and beyond.

Life Capital paid a dividend of USD 0.5 billion to the Group in October 2019.

Life Capital results

USD millions	2018	**2019**	Change in %
Revenues			
Gross premiums written	2 739	2 831	3
Net premiums written	1 175	1 780	51
Change in unearned premiums	–3	–82	–
Premiums earned	1 172	**1 698**	45
Fee income from policyholders	434	451	4
Net investment income – non-participating business	1 256	1 193	–5
Net realised investment gains/losses – non-participating business	66	18	–73
Net investment result – unit-linked and with-profit business	–1 560	4 821	–
Other revenues	–	1	–
Total revenues	1 368	**8 182**	498
Expenses			
Life and health benefits	–1 489	–2 500	68
Return credited to policyholders	1 038	–4 471	–
Acquisition costs	–255	–409	60
Operating expenses	–549	–721	31
Total expenses before interest expenses	–1 255	**–8 101**	–
Income before interest and income tax expense	113	**81**	–28
Interest expenses	–41	–72	76
Income before income tax expense	72	**9**	–88
Income tax expense	–26	–133	–
Net income/loss before attribution of non-controlling interests	46	**–124**	–
Income attributable to non-controlling interests	–23	–53	130
Net income/loss attributable to common shareholders	23	**–177**	–

Premiums

Gross premiums written in the open book businesses increased by 22% during 2019 when measured at constant exchange rates. Net premiums earned and fee income increased to USD 2.1 billion during 2019 from USD 1.6 billion in the prior year, driven by growth in the open book life and health insurance businesses, combined with the net impact of intra-group retrocessions and foreign exchange movements.

Investment result

The return on investments was 3.7% for 2019, compared with 3.3% in 2018, reflecting an increase in the investment result of USD 57 million.

Net investment income decreased by USD 57 million to USD 787 million in 2019, mainly due to run-off within the closed book portfolios.

Net realised gains increased by USD 114 million to USD 191 million in 2019, reflecting additional gains from sales of fixed income securities, partially offset by equity and interest rate derivative losses.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Operating expenses

Operating expenses were USD 721 million in 2019, compared with USD 549 million in 2018. The increase was due to expenses related to the separation of ReAssure and investment into the growth of the open book businesses.

Shareholders' equity

Shareholders' equity increased by USD 0.2 billion to USD 5.3 billion, mainly driven by increased unrealised gains, partially offset by the net loss and the USD 0.5 billion dividend paid in 2019. The return on equity was –3.4% for 2019, compared with 0.4% for 2018. The year-on-year decrease was due to lower net income in 2019 including the charge in connection with the agreement to sell ReAssure.

Outlook

Life Capital's ambition is to increase access to the primary insurance risk pool through its fast growing B2B2C digital platform iptiQ and its Group L&H business elipsLife. The Business Unit applies leading-edge technology and smart use of data to offer affordable insurance products to more consumers. Life Capital's operations span Europe, the US, Australia, New Zealand, and going forward also China.

At present the scale and impact of the SARS-CoV-2 coronavirus outbreak does not appear to be great enough to cause significant mortality or morbidity impacts, but the situation is still changing rapidly. However, the Business Unit anticipates impacts on new policies written in some markets as sales activity is affected. Life Capital is closely monitoring this as the situation continues to unfold.

Swiss Re Institute

Edouard Schmid
Group Chief Underwriting Officer and Chairman Swiss Re Institute

> The insight from our R&D is the foundation to how we model and understand risk.

Competitive advantage in underwriting
Distinctive knowledge and insights into insurance risk pools and individual risks have been the bedrock of Swiss Re's underwriting outperformance for more than 150 years, and cutting-edge research and development (R&D) continues to underpin the evolution of our capabilities and client offerings. Technological progress has opened up new opportunities to advance our expertise. Access to more and better data, advanced analytics and a strong talent base allow Swiss Re to create new insights at an ever-accelerating pace.

For example, the ability to aggregate and augment large pools of natural catastrophe exposure data from different sources allows Swiss Re to expand its ability to model and understand risk. In this new approach, data-mining techniques and clustering algorithms are being used to enrich risk characteristics of individual property exposures (such as age or construction type, for example). The underlying exposure database with more than 12 billion individual records is fully integrated with Swiss Re's proprietary risk modelling landscape, positioning us well for superior risk selection and advanced accumulation tracking. Strategic collaboration with open-source partners, for example the Global Earthquake Model (GEM) public-private partnership, provides further access to data and ensures timely consideration of leading scientific perspectives as we advance our own views on risk.

Deep risk insight coupled with a data-driven ability to assume forward-looking perspectives on insurance risk pools allows Swiss Re to allocate risk capital to the mutual benefit of our clients and shareholders, as well as society in the broader sense. Strategic investments in targeted R&D activities form the basis for continued underwriting excellence and position Swiss Re as a market-leading knowledge company.

Underwriting performance in 2019

The Group's overall underwriting performance in 2019 was impacted by higher-than-expected large natural catastrophe and man-made losses. Normalised for large losses, the Group's underwriting results are solid and bear testimony to our risk selection capabilities and the strong diversification of our business. In property and casualty, higher large loss burden and adverse prior-year development were balanced with profitable business growth, particularly in the natural catastrophe business. The Group's total property and casualty claims payments in the amount of USD 18.7 billion helped individuals, businesses and communities rebuild in the aftermath of natural catastrophe and man-made events. Underlying underwriting performance in life and health was strong, offsetting the adverse impact from carrying value adjustments and the charge related to the agreement to sell ReAssure. Total life and health benefits amounted to USD 13.1 billion, up from USD 11.8 billion in 2018.

Accelerated exposure growth and growing concentrations in areas with heightened exposure to natural catastrophes, such as coastal zones, have been contributing noticeably to loss activity in property and casualty. While technological progress can have a positive impact on loss frequency and severity in some lines of business, there are broad secular trends driving up loss cost tied to climate change, rapid urbanisation and increasing complexity of business operations. Changing societal trends and attitudes have been impacting claims severity further in specific markets, mainly in the US, a phenomenon commonly described as social inflation. Similarly, on the life and health side, the expansion of genetic testing, rising obesity rates, opioid-related mortality and other trends drive up claims amid stalling mortality improvement rates.

Swiss Re is well positioned to support our clients in addressing these challenges by utilising cutting-edge underwriting R&D, innovative risk transfer solutions and a strong balance sheet.

Market environment and outlook

Going into 2020, we expect the outbreak of the SARS-CoV-2 coronavirus, and the related illness, COVID-19, will lead to significant disruptions of economic activity and a global recession in 2020. While there is considerable uncertainty around the virus spread, our baseline scenario is for economic activity to normalise during the second half of the year and into 2021. For our baseline, insurance premiums are nevertheless expected to grow by around 3% in real terms, with emerging Asia powering global industry growth. China, India and other Asian markets continue to expand, based on significant protection gaps in those markets. Government initiatives and industry efforts increasingly seek to close those gaps. Swiss Re aims to be at the forefront in this area to help reduce the barriers to supply and demand that currently hinder insurance uptake.

While the effects of the coronavirus are still unfolding, what we have learned from past pandemic outbreaks is that it is important to actively encourage data gathering and cooperation between healthcare and other sectors. Swiss Re continues to engage with leaders in science, insurance and regulatory bodies on the topic.

Profitability, as measured by return on equity, has strengthened in both property and casualty and life and health reinsurance businesses in 2019, in part due to improved realised gains from investment management. With low interest rates set to stay, however, the investment environment will remain extremely challenging. With the industry experiencing its third year of elevated insurance losses, the pressure for improved market discipline is rising, and this discipline has begun to spread from catastrophe-affected portfolios to other lines of business. This is leading to improvements in pricing and the exit of several re/insurers from otherwise unsustainable markets.

We expect broadly stable to improving property and casualty reinsurance prices as a result of rising claims and a significant reduction of available retrocession capacity. Underlying primary commercial line price increases have gained strength and broadened throughout 2019. Due to our long-standing underwriting experience as a leading reinsurer, we are well positioned to navigate fast-developing risk environments.

We are positive about the opportunities available to us. Demand continues to grow for solutions and services that deploy our R&D to clients, and our ability to engage in large and tailored transactions is an asset. In addition, our industry-leading product and geographic franchise enables us to rapidly and flexibly deploy capital across all insurance risk pools.

Group Investments

Guido Fürer
Group Chief
Investment Officer

> Asset management delivered excellent value to the Group, supported by a high quality investment portfolio.

Strategy

Swiss Re's investment portfolio provided an excellent contribution in 2019, despite headwinds from the declining interest rate environment. Fundamentally, the portfolio performed well with no material impairments alongside gains generated from the fixed income portfolio and strong equity performance. Overall, Swiss Re's asset allocation changed only moderately during 2019, with a modest reduction in corporate bond exposure and continued deployment in private debt as well as real estate. We continue to systematically incorporate ESG across the entire investment value chain. As in the past, the Group remains flexible should there be a change in the investment outlook or if market opportunities arise.

Financial markets overview

Financial markets started 2019 on a strong note amid the central bank shift to looser monetary policy early in the year. This turn in policy stance was mainly driven by worsening market conditions coupled with weaker economic data, in particular slowing global trade and manufacturing activity.

Looking at specific asset classes, government bond yields declined significantly across multiple regions in 2019. In August 2019, the US Treasury yield curve briefly inverted for the first time since 2007 and sovereign bond yields hit all-time lows in various countries, with further expansion of negative-yielding debt. Equities rose sharply throughout 2019 following the large declines at the end of the prior year, predominantly due to the accommodative monetary policy. The S&P 500 index hit all-time highs and ended the year up 29%, further supported by optimism regarding the US-China "phase one" trade deal. Investment-grade corporate credit spreads tightened notably during the year.

4.2
Net investment income in USD billions, 2019
(2018: USD 4.1 billion)

4.7%
Group return on investments 2019
(2018: 2.8%)

2.8%
Group running yield 2019
(2018: 2.9%)

In the global macroeconomic environment, growth weakened in 2019 as trade activity slowed and the manufacturing sector contracted. Meanwhile, inflationary pressures have remained muted. Finally, the US-China trade dispute dominated geopolitics throughout the year, while the prospect of Brexit added to the political uncertainty in Europe.

Investment result

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 134.5 billion at the end of 2019, from USD 122.6 billion at the end of 2018. The increase was largely driven by the impact of declining interest rates and credit spread tightening as well as favourable foreign exchange movements.The return on investments for 2019 was 4.7%.

The result was primarily driven by net investment income as well as gains within the fixed income portfolio and performance from equity securities, reflecting the Group's strong overall investment portfolio position. In 2018, the return on investments was 2.8%. The Group's non-participating net investment income increased to USD 4.2 billion in 2019 from USD 4.1 billion the prior year, demonstrating the stability of the recurring investment income. The Group's running yield was largely unchanged at 2.8% from 2.9% in the prior year, alongside declining yields.

The Group reported non-participating net realised investment gains of USD 1.6 billion in 2019, compared with USD 0.1 billion in 2018, as the current year benefited from significant market value gains within the equity portfolio, as well as additional gains from sales within the fixed income portfolio.

Outlook

Global economic growth is expected to slow significantly in 2020 due to the SARS-CoV-2 coronavirus pandemic, with several G7 countries at risk of a recession during the year. Central banks are likely to cut policy rates further and stay very accommodative in this environment of elevated uncertainty. The US Federal Reserve has already enacted two surprise interest rate cuts for a total of 150bp in March. On the policy front, the attention is also on the fiscal policy responses that are currently being discussed.

Besides the rapidly evolving coronavirus situation, other important themes for 2020 include the continued trade policy uncertainty and the US presidential elections.

Our investment portfolio remains well diversified across investment classes, with a continued focus on quality and ESG criteria. We plan to moderately increase our allocation to private markets, including investments in private debt and real estate, which will further diversify the overall investment portfolio.

Share performance

Swiss Re shares
Swiss Re had a market capitalisation of CHF 35.6 billion on 31 December 2019, with 327.4 million shares outstanding, of which 290.7 million were entitled to dividends. Swiss Re shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN, ISIN CH0126881561 and Swiss Security Number 12688156.

American Depositary Receipts (ADR)
In the US, Swiss Re maintains an ADR level I programme (OTC symbol SSREY).

Share price performance
Swiss Re shares opened the year at CHF 89.38. An intra-day high of CHF 110.45 was achieved on 27 December 2019. On 3 January 2019, the shares experienced an intra-day low of CHF 88.90. The year-end share price was CHF 108.70.

During 2019, the STOXX Europe 600 Insurance index (SXIP) increased by 24.4% and the broader index of Swiss blue chips (SMI) increased by 25.4%. The Swiss Re share increased by 20.6%.

Share trading
The average on-exchange daily trading volume for 2019 was 0.7 million shares. Trading volume peaked at 3.8 million shares on 3 May 2019.

Swiss Re's dividend policy
Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities.

The Group aims to ensure superior capitalisation at all times and to maximise financial flexibility, growing the regular dividend with long-term earnings and, at a minimum, maintaining it. Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and finally repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buyback programmes.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is typically two working days after the ex-dividend date. The corresponding dates in 2020 are 21 and 23 April.

Dividends
The Board of Directors proposes a regular dividend of CHF 5.90 per share for 2019. The dividend paid for 2019 will be subject to 35% Swiss withholding tax.

Public share buyback programme
On 6 May 2019, the Board of Directors launched the public share buyback programme authorised by the 2019 AGM. This programme was completed on 18 February 2020.

For further information please visit www.swissre.com/investors/shares/share_buyback/

The Board of Directors proposes to the 2020 AGM to authorise the company to repurchase own shares for the purpose of cancellation by way of a public share buyback programme of up to CHF 1.0 billion purchase value to be executed before the 2021 AGM.

Swiss Re will ask the AGM in April 2021 permission to cancel the repurchased shares by way of share capital reduction.

Index representation
In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability World and Europe, FTSE4Good, Euronext Vigeo World 120, Bloomberg Gender Equality Index and MSCI ESG Leaders index families. In July 2019, Swiss Re received a AAA rating on the MSCI ESG assessment.

Information for investors
More information is available on Swiss Re's website: www.swissre.com/investors

General information on Swiss Re shares

Identification numbers	Share	ADR
Swiss Security Number (Valorennummer)	12688156	–
ISIN (International Securities Identification Number)	CH0126881561	US8708861088

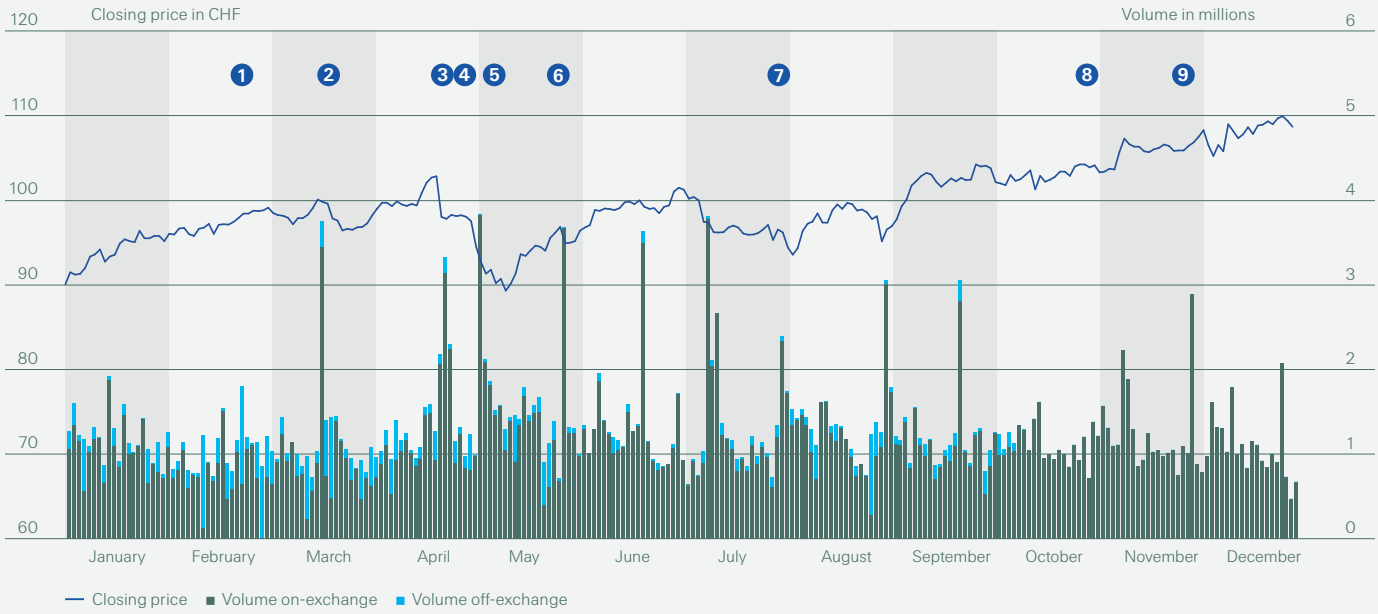
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:SW	SREN	SREN.SW
ADR[1]	SSREY:US	SSREY	SSREY.PK

[1] Swiss Re's ADR are not listed but traded over the counter; four ADRs correspond to one Swiss Re share.

Weighting in indices

As of 31 December 2019	Index weight (in %)
Swiss/blue chip indices	
SMI	3.21
SPI	2.29
Insurance indices	
STOXX Europe 600 Insurance	5.43
Bloomberg Europe 500 Insurance	5.57
FTSEurofirst 300 Insurance	0.37
Dow Jones Insurance Titans 30	2.56
Sustainability indices	
Dow Jones Sustainability Europe	0.77
Dow Jones Sustainability World	0.29
FTSE4Good Global	4.10
Bloomberg Gender Equality	0.29

Swiss Re share price and trading volume in 2019



1 Annual results 2018 (21 February)
2 Annual report 2018 (14 March)
3 Ex dividend date (24 April)
4 Dividend payment (26 April)
5 Q1 results 2019 (3 May)
6 Management Dialogues (23 May)
7 H1 results 2019 (31 July)
8 9M results 2019 (31 October)
9 Investors' Day 2019 (25 November)

Key share statistics 2015 – 2019

As of 31 December	2015	2016	2017	2018	2019
Shares outstanding[1]	370 706 931	360 072 561	349 452 281	338 619 465	327 404 704
of which Treasury shares and shares reserved for corporate purposes	32 967 226[2]	34 093 834[3]	34 866 516[4]	38 575 324[5]	36 749 762[6]
Shares entitled to dividend	337 739 705	325 978 727	314 585 765	300 044 141	290 654 942
CHF unless otherwise stated					
Dividend paid per share	4.25[7]	4.60	4.85	5.00	5.60
Dividend yield[8] (in %)	4.33	4.77	5.32	5.55	5.15
Earnings per share[9]	12.93	10.55	1.02	1.34	2.46
Book value per share[10]	96.04	107.64	103.37	91.72	97.46
Price per share year-end	98.15	96.50	91.25	90.12	108.70
Price per share year high (intra-day)	99.75	97.85	98.50	98.80	110.45
Price per share year low (intra-day)	74.95	79.00	81.65	84.20	88.90
Daily trading volume (in CHF millions)	134	120	129	126	120
Market capitalisation[11] (in CHF millions)	36 385	34 747	31 888	30 516	35 589
ADR price at year-end (in USD)	24.53[12]	23.76	23.38	22.84	28.12

[1] Nominal value of CHF 0.10 per share.
[2] Includes 4.4m shares repurchased under the share buyback programme launched on 12 November 2015, which concluded on 2 March 2016.
[3] Includes 5.5m shares repurchased under the share buyback programme launched on 4 November 2016, which concluded on 9 February 2017.
[4] Includes 6.3m shares repurchased under the share buyback programme launched on 3 November 2017, which concluded on 16 February 2018.
[5] Includes 10.1m shares repurchased under the share buyback programme launched on 7 May 2018, which concluded on 15 February 2019.
[6] Includes 9.9m shares repurchased under the share buyback programme launched on 6 May 2019, which concluded on 18 February 2020.
[7] In addition to the regular dividend of CHF 4.25 per share, a special dividend of CHF 3.00 per share was paid in 2015.
[8] Dividend divided by year-end share price of the corresponding year.
[9] Calculated by dividing net income by the weighted average number of common shares outstanding.
[10] Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to a dividend.
[11] Based on shares outstanding.
[12] Since 15 June 2015, every Swiss Re ADR represents one quarter of a Swiss Re share. Prior to close of business on 12 June 2015, one ADR represented one Swiss Re share.