

Economic Value Management

Swiss Re's 2021 economic result reflected a strong underlying underwriting performance and favourable contribution from investment activities.



Decisive portfolio management led to a strong underlying business performance in 2021.”

John R. Dacey
Group Chief Financial Officer



EVM performance

The economic result in Reinsurance and Corporate Solutions reflected a strong underwriting and investment performance, partially offset by COVID-19-related claims and large losses.

Economic Value Management (EVM) is Swiss Re’s proprietary integrated economic valuation and steering framework, which consistently measures economic performance across all businesses.

Swiss Re reported a total contribution to economic net worth (ENW) of USD 3.8 billion in 2021, compared to USD –434 million in 2020. On a risk-adjusted basis, Swiss Re reported an EVM profit of USD 2.1 billion in 2021, compared to an EVM loss of USD 3.6 billion in 2020.

2.1

**EVM profit
in USD billions, 2021**
(2020: USD –3.6 billion)

10.7%

ENW per share growth
over-the-cycle target: 10%
(2020: –0.1%)

3.8

**Total contribution to ENW
in USD billions, 2021**
(2020: USD –434 million)

Group performance

The EVM profit of USD 2.1 billion in 2021 reflected strong new business performance from Reinsurance and Corporate Solutions, despite large losses. This was supported by favourable developments on previous years' business from Property & Casualty Reinsurance (P&C Re) and Corporate Solutions as well as a strong performance from investment activities. This was partially offset by COVID-19-related losses in Life & Health Reinsurance (L&H Re) and an unfavourable contribution from Group items.

The EVM profit on new business was USD 1.4 billion in 2021, compared to USD 9 million in 2020. The 2021 result was driven by improved portfolio quality in P&C Re, transactional business growth in L&H Re and strong underwriting performance in Corporate Solutions. This was partially offset by continued investments in the open book businesses and overhead expenses in Group items.

The EVM loss from previous years' business amounted to USD 205 million in 2021, compared to an EVM loss of USD 4.3 billion in 2020. The result mainly reflected the impacts of COVID-19-related losses and adverse assumption updates in L&H Re, partially offset by reserve releases and other favourable developments in P&C Re and Corporate Solutions.

Investment activities generated an EVM profit of USD 872 million in 2021 compared to a profit of USD 683 million in 2020. The 2021 result reflected outperformance across alternative investments and equities as well as a positive contribution from credit investments. The 2020 result was driven by favourable interest rates impact on a net duration position and strong real estate investment performance.

ENW per share growth amounted to 10.7% in 2021, which is above the over-the-cycle target of 10%.

Key information

USD millions, unless otherwise stated	2020	2021	Change in %
EVM profit	–3 590	2 058	–
Total contribution to ENW	–434	3 762	–
Economic net worth (ENW)	33 652	35 374	5
Economic net worth per share in USD	116.45	122.42	5
Economic net worth per share growth, % ¹	–0.1	10.7	
Profit margin – new business, %	0.0	3.9	
Profit margin – previous years' business, %	–16.1	–0.7	
Profit margin – investments, %	5.9	8.9	

¹ENW per share growth is calculated as follows: (current-year closing ENW per share + current year dividends per share) ÷ (prior-year closing ENW per share + current year opening balance sheet adjustments per share).

Business segment performance

P&C Re reported an EVM profit of USD 2.6 billion in 2021, compared to a loss of USD 2.0 billion in 2020. Strong EVM profit on new business of USD 580 million was driven by improved portfolio quality, partially compensated by large natural catastrophe losses. The casualty business achieved better margins due to sustained focus on disciplined underwriting. EVM profit on previous years' business was USD 855 million due to reserve releases for natural catastrophe and man-made losses, partially offset by proactive reserving on casualty claims inflation and US winter storm Uri losses. Favourable changes in capital costs due to diversification benefits as a result of the higher share of property in the portfolio mix further supported the result. Investment activities generated an EVM profit of USD 1.2 billion in 2021, compared to a loss of USD 91 million in 2020. The 2021 profit reflected strong performance across alternative investments (both private equity and real estate) and listed equities, supported by rising interest rates on a net short duration position. The 2020 loss resulted from declining interest rates on a net short duration position, partially compensated by strong real estate investment performance.

L&H Re reported an EVM profit of USD 116 million in 2021 compared to a loss of USD 207 million in 2020. EVM profit on new business of USD 1.3 billion reflected strong transactional business growth primarily in the US but also in the UK, as well as further profitable growth of core business across all regions. EVM loss on previous years' business of USD 1.4 billion included a significant impact from COVID-19-related losses of USD 1.2 billion, mainly reflecting mortality developments in the US. In addition, the result included adverse impacts from various assumption updates, while experience was slightly positive. Investment activities generated an EVM profit of USD 206 million in 2021, compared to USD 551 million in 2020. The 2021 profit reflected a positive contribution from credit investments, partially offset by a negative impact from rising interest rates on a net long duration position. The 2020 EVM profit was driven by favourable interest rates impact on a net long duration position.

Corporate Solutions reported an EVM profit of USD 835 million in 2021 compared to a loss of USD 902 million for 2020. EVM profit on new business of USD 230 million was driven by continued price momentum, growth in target areas and strong renewals, partially offset by large natural catastrophe losses, mainly Hurricane Ida and central US tornadoes as well as large man-made losses. Insurance in derivative form reported a profit of USD 13 million in 2021. EVM profit on previous years' business was USD 535 million, mainly driven by reserve releases in property from recent accident

years, releases on COVID-19 reserves built in 2020, and positive impacts of volume updates and lower capital costs. This more than compensated for large natural catastrophe losses, in particular US winter storm Uri, as well as large man-made losses in property and liability. Investment activities generated an EVM profit of USD 70 million in 2021, compared to a profit of USD 1 million in 2020. The 2021 profit reflected favourable equity performance and a positive contribution from credit investments.

Group items reported an EVM loss of USD 1.5 billion in 2021, compared to a loss of USD 328 million in 2020. The EVM loss on new business was USD 729 million in 2021, mainly driven by overhead expenses and capital costs on excess capital, as well as continued investment into building the iptiQ business, partially offset by trademark licence fee income from the business segments. The EVM loss on previous years' business was USD 195 million, mainly driven by unfavourable updates in the underwriting run-off businesses and increased overhead expenses. Investment activities generated an EVM loss of USD 582 million in 2021, compared to a profit of USD 413 million in 2020, reflecting underperformance from Principal Investments.

Business segments – key information

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
2020¹						
EVM profit	-1 975	-207	-902	-178	-328	-3 590
Total contribution to ENW	-714	820	-622	-7	89	-434
Profit margin – new business, %	-2.7	4.6	-7.9	n/a	n/a	0.0
Profit margin – previous years' business, %	-12.7	-14.6	-42.0	4.1	n/a	-16.1
Profit margin – investments, %	-3.8	13.2	0.2	n/a	9.2	5.9

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions		Group items	Total
2021						
EVM profit	2 612	116	835		-1 506	2 058
Total contribution to ENW	3 391	657	920		-1 206	3 762
Profit margin – new business, %	3.7	7.9	7.2		n/a	3.9
Profit margin – previous years' business, %	7.5	-9.9	26.3		n/a	-0.7
Profit margin – investments, %	39.2	5.8	11.3		-22.2	8.9

¹ Comparative information for 2020 has been adjusted to reflect the disbandment of Life Capital.

EVM financial information

EVM income statement

For the years ended 31 December

USD millions, unless otherwise stated	2020	2021
Underwriting result		
Gross premiums and fees	60 449	69 207
Gross premiums and fees growth rate, %	3.6	14.5
Premiums and fees	58 641	67 104
Premiums and fees retention rate, %	97.0	97.0
Premiums and fees growth rate, %	2.7	14.4
Claims and benefits	-43 488	-44 926
Commissions	-8 827	-14 309
Other	-44	70
Gross underwriting result – new business	6 282	7 939
Expenses	-3 731	-4 067
Net underwriting result – new business	2 551	3 872
Taxes	-573	-742
Capital costs	-1 970	-1 740
EVM profit – new business	9	1 391
EVM profit – previous years' business	-4 282	-205
EVM profit – underwriting	-4 274	1 186
Investment result		
Mark-to-market investment result	8 409	-150
Benchmark investment result	-6 143	2 483
Gross outperformance (underperformance)	2 265	2 333
Other	123	118
Expenses	-241	-258
Net outperformance (underperformance)	2 147	2 192
Taxes	-469	-470
Capital costs	-994	-850
EVM profit – investments	683	872
EVM profit	-3 590	2 058
Cost of debt	-259	-284
Release of current year capital costs	2 443	2 644
Additional taxes	972	-655
Total contribution to ENW	-434	3 762
Profit margin – new business, %	0.0	3.9
Profit margin – previous years' business, %	-16.1	-0.7
Profit margin – investments, %	5.9	8.9

EVM balance sheet

As of 31 December

USD millions	2020	2021
Assets		
Investments	123 601	119 488
Cash and cash equivalents	5 458	5 046
In-force business assets	318 440	330 999
Retrocession assets	26 848	29 580
Other assets	2 818	3 180
Total assets	477 165	488 293
Liabilities		
In-force business liabilities	384 141	392 822
Retrocession liabilities	21 900	24 996
Provision for capital costs	11 800	11 161
Future income tax liabilities	3 510	4 255
Debt	14 817	13 606
Other liabilities	7 345	6 078
Total liabilities	443 513	452 919
Economic net worth	33 652	35 374
Total liabilities and economic net worth	477 165	488 293

Statement of economic net worth

For the years ended 31 December

USD millions	2020	2021
Economic net worth as of 1 January	36 138	33 652
Change in EVM methodology	-492	
Restated economic net worth as of 1 January	35 646	33 652
Total contribution to ENW	-434	3 762
Dividends and share buyback	-1 956	-1 855
Other, including foreign exchange on economic net worth	395	-185
Economic net worth as of 31 December	33 652	35 374
Common shares outstanding as of 31 December	288 976 399	288 953 194
Economic net worth per share in USD as of 31 December	116.45	122.42

Business segments – EVM income statement

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2020 ¹							
Underwriting result							
Gross premiums and fees	23 853	29 754	6 050		1 643	-851	60 449
Gross premiums and fees growth rate, %	-1.3	9.2	1.0	n/a	14.7		3.6
Premiums and fees	22 886	29 565	4 826		1 364		58 641
Premiums and fees retention rate, %	95.9	99.4	79.8	n/a	83.0		97.0
Premiums and fees growth rate, %	-2.8	8.6	-2.3	n/a	-4.3		2.7
Claims and benefits	-15 749	-23 461	-3 358		-919		-43 488
Commissions	-5 595	-2 377	-581		-273		-8 827
Other	14	-13	-34		-11		-44
Gross underwriting result – new business	1 555	3 714	852		161	0	6 282
Expenses	-1 397	-912	-922	1	-500		-3 731
Net underwriting result – new business	158	2 802	-70	1	-339	0	2 551
Taxes	-133	-559	10		110		-573
Capital costs	-458	-1 197	-137	-21	-157		-1 970
EVM profit – new business	-433	1 046	-197	-21	-386	0	9
EVM profit – previous years' business	-1 451	-1 804	-707	34	-354	0	-4 282
EVM profit – underwriting	-1 884	-758	-904	14	-741	0	-4 274
Investment result							
Mark-to-market investment result	2 763	2 891	459	1 237	1 059		8 409
Benchmark investment result	-2 331	-1 872	-406	-1 380	-154		-6 143
Gross outperformance (underperformance)	432	1 019	53	-144	905	0	2 265
Other	73	29	12	8	1		123
Expenses	-99	-68	-15	-23	-37		-241
Net outperformance (underperformance)	405	981	50	-159	870	0	2 147
Taxes	-97	-202	-10	31	-191		-469
Capital costs	-399	-228	-39	-63	-266		-994
EVM profit – investments	-91	551	1	-191	413	0	683
EVM profit	-1 975	-207	-902	-178	-328	0	-3 590
Cost of debt	-40	-71	36	-32	-151		-259
Release of current year capital costs	854	826	181	137	445		2 443
Additional taxes	447	273	64	66	123		972
Total contribution to ENW	-714	820	-622	-7	89	0	-434
Profit margin – new business, %	-2.7	4.6	-7.9	n/a	n/a	n/a	0.0
Profit margin – previous years' business, % ²	-12.7	-14.6	-42.0	4.1	n/a	n/a	-16.1
Profit margin – investments, %	-3.8	13.2	0.2	n/a	9.2	n/a	5.9

¹ Comparative information for 2020 has been adjusted to reflect the disbandment of Life Capital.² The overall previous years' business profit margin for the Reinsurance Business Unit was -13.7%.

Business segments – EVM income statement

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
2021						
Underwriting result						
Gross premiums and fees	26 277	35 286	7 163	1 432	-950	69 207
Gross premiums and fees growth rate, %	10.2	18.6	18.4	-12.9	n/a	14.5
Premiums and fees	25 438	34 969	5 529	1 168		67 104
Premiums and fees retention rate, %	96.8	99.1	77.2	81.6	n/a	97.0
Premiums and fees growth rate, %	11.2	18.3	14.6	-14.4	n/a	14.4
Claims and benefits	-16 643	-24 094	-3 457	-733		-44 926
Commissions	-6 094	-7 258	-715	-242		-14 309
Other	46	-3	49	-22		70
Gross underwriting result – new business	2 748	3 614	1 407	171	0	7 939
Expenses	-1 415	-919	-1 000	-733		-4 067
Net underwriting result – new business	1 333	2 695	407	-562	0	3 872
Taxes	-321	-473	-88	140		-742
Capital costs	-432	-911	-89	-307		-1 740
EVM profit – new business	580	1 310	230	-729	0	1 391
EVM profit – previous years' business	855	-1 400	535	-195	0	-205
EVM profit – underwriting	1 434	-90	765	-924	0	1 186
Investment result						
Mark-to-market investment result	892	-531	-62	-449		-150
Benchmark investment result	1 185	1 061	191	46		2 483
Gross outperformance (underperformance)	2 076	529	129	-403	0	2 333
Other	75	28	12	2		118
Expenses	-118	-74	-16	-50		-258
Net outperformance (underperformance)	2 034	484	125	-450	0	2 192
Taxes	-420	-97	-27	73		-470
Capital costs	-437	-181	-28	-205		-850
EVM profit – investments	1 178	206	70	-582	0	872
EVM profit	2 612	116	835	-1 506	0	2 058
Cost of debt	-155	-53	-34	-43		-284
Release of current year capital costs	1 026	979	144	495		2 644
Additional taxes	-92	-384	-27	-152		-655
Total contribution to ENW	3 391	657	920	-1 206	0	3 762
Profit margin – new business, %	3.7	7.9	7.2	n/a	n/a	3.9
Profit margin – previous years' business, % ¹	7.5	-9.9	26.3	n/a	n/a	-0.7
Profit margin – investments, %	39.2	5.8	11.3	-22.2	n/a	8.9

¹ The overall previous years' business profit margin for the Reinsurance Business Unit was -2.1%.

Business segments – EVM balance sheet

As of 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
2020 ¹						
Assets						
Investments	72 541	41 946	10 852	11 205	-12 943	123 601
Cash and cash equivalents	2 941	1 625	679	213		5 458
In-force business assets	20 967	280 433	4 241	13 988	-1 189	318 440
Retrocession assets	2 589	21 872	7 633	182	-5 428	26 848
Other assets	5 694	4 741	1 098	4 739	-13 454	2 818
Total assets	104 732	350 616	24 503	30 328	-33 014	477 165
Liabilities						
In-force business liabilities	73 095	280 803	19 999	16 078	-5 834	384 141
Retrocession liabilities	919	20 367	1 317	87	-790	21 900
Provision for capital costs	1 206	10 022	257	315		11 800
Future income tax liabilities	-886	5 121	-437	-288		3 510
Debt	5 774	16 353	538	2 754	-10 602	14 817
Other liabilities	15 872	3 428	572	3 261	-15 788	7 345
Total liabilities	95 981	336 094	22 245	22 208	-33 014	443 513
Economic net worth	8 751	14 522	2 259	8 120	0	33 652
Total liabilities and economic net worth	104 732	350 616	24 504	30 328	-33 014	477 165

¹ Comparative information for 2020 has been adjusted to reflect the disbandment of Life Capital.

Business segments – EVM balance sheet

As of 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
2021						
Assets						
Investments	71 393	39 393	11 473	9 156	-11 928	119 488
Cash and cash equivalents	1 938	2 002	854	253		5 046
In-force business assets	23 223	290 588	4 502	13 597	-911	330 999
Retrocession assets	2 587	24 375	7 447	256	-5 086	29 580
Other assets	6 971	5 488	1 535	3 373	-14 188	3 180
Total assets	106 112	361 847	25 812	26 636	-32 113	488 293
Liabilities						
In-force business liabilities	73 562	288 801	19 881	15 707	-5 130	392 822
Retrocession liabilities	1 105	23 128	1 518	112	-867	24 996
Provision for capital costs	786	9 911	166	298		11 161
Future income tax liabilities	-471	5 232	-201	-305		4 255
Debt	5 262	15 650	538	2 546	-10 391	13 606
Other liabilities	13 748	4 890	728	2 438	-15 725	6 078
Total liabilities	93 992	347 613	22 629	20 797	-32 113	452 919
Economic net worth	12 120	14 234	3 182	5 838	0	35 374
Total liabilities and economic net worth	106 112	361 847	25 812	26 636	-32 113	488 293

Business segments – statement of economic net worth

For the year ended 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
2021					
Economic net worth as of 1 January¹	8 751	14 522	2 259	8 120	33 652
Total contribution to ENW	3 391	657	920	-1 206	3 762
Dividends		-500		-1 355	-1 855
Other, including foreign exchange on economic net worth	-22	-446	4	279	-185
Economic net worth as of 31 December	12 120	14 234	3 182	5 838	35 374

¹ Opening balance has been adjusted to reflect the disbandment of Life Capital.

Business segments – reconciliation to US GAAP

As of 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
2020¹					
US GAAP shareholders' equity	9 168	7 381	2 427	8 159	27 135
Discounting	1 220	-981	-160	-71	8
Investments and debt	2 401	-2 378	-19	669	674
Reserving basis					
US GAAP margins		24 658		981	25 639
Other	-135	912	579	-1 006	351
Recognition differences	117	-955	-121	-45	-1 004
Goodwill and other intangibles	-1 978	-1 884	-320	-527	-4 708
Taxes	-721	-2 312	107	97	-2 830
Capital costs	-1 108	-9 964	-229	-315	-11 615
Other	-213	46	-7	178	3
Total EVM valuation adjustments	-417	7 141	-168	-39	6 517
Economic net worth	8 751	14 522	2 259	8 120	33 652
2021					
US GAAP shareholders' equity	9 505	4 813	2 751	6 499	23 568
Discounting	2 849	-1 083	105	-94	1 778
Investments and debt	2 506	-1 582	12	489	1 426
Reserving basis					
US GAAP margins		26 965		968	27 934
Other	664	757	845	-1 122	1 143
Recognition differences	47	-821	-67	-35	-877
Goodwill and other intangibles	-1 918	-1 862	-314	-576	-4 670
Taxes	-857	-3 063	-71	-24	-4 016
Capital costs	-705	-9 855	-142	-297	-10 998
Other	30	-36	64	29	87
Total EVM valuation adjustments	2 615	9 421	431	-661	11 806
Economic net worth	12 120	14 234	3 182	5 838	35 374

¹ Comparative information for 2020 has been adjusted to reflect the disbandment of Life Capital.

Economic Value Management (EVM)

EVM is Swiss Re's proprietary integrated economic valuation and steering framework, which consistently measures economic performance across all businesses. In addition, the EVM balance sheet provides the basis for determining available capital under the Swiss Solvency Test (SST).

The EVM framework differs significantly from US GAAP, which is the basis on which Swiss Re prepares its consolidated financial statements. Swiss Re's EVM income statement (and its line items) should not be viewed as a substitute for the income statement (and its line items) in Swiss Re's US GAAP consolidated financial statements and Swiss Re's EVM economic net worth (ENW) should not be viewed as a substitute for shareholders' equity as reported in

Swiss Re's US GAAP consolidated balance sheet. EVM results may be subject to significant volatility as assets and liabilities are measured on a market-consistent basis. As it is a proprietary framework, Swiss Re may change its EVM methodology from time to time.

The EVM financial information has been prepared in accordance with the Group's EVM principles and follows largely the same consolidation principles as used in the preparation of the Group's consolidated US GAAP financial statements.

Assets and liabilities denominated in foreign currencies are translated to the reporting currency at closing exchange rates. Revenues and expenses denominated in foreign currencies are translated to the reporting currency at average exchange

rates for the reporting year. Foreign currency translation gains and losses are recognised directly in ENW with no impact on the EVM income statement.

EVM follows a closed-book principle and excludes the recognition of all potential future new business activities, including future renewals.

For details on the EVM valuation principles, performance attribution and differences to US GAAP, please consult our publication:



Measuring economic performance & solvency at Swiss Re
<https://www.swissre.com/Library/measuring-economic-performance-solvency-at-swiss-re.html>

EVM sensitivities

USD billions	Change in 2021 EVM new business profit	Change in economic net worth as of 31.12.2021
Financial market shocks:		
25% decrease in equity values	-2.0	-2.0
25% decrease in property values	-1.6	-1.6
50bps increase in credit spreads	n/a	-1.6
Change in reference rates (yield curve):¹		
Increase by 50bps	n/a	0.0
Decrease by 50bps	n/a	0.0
Inclusion of a liquidity premium in the valuation of EVM net insurance liabilities:		
Set reference rates equal to government rates plus 10bps	n/a	0.5
Set reference rates equal to government rates plus 50bps	n/a	2.5
Set reference rates equal to government rates plus 100bps	n/a	4.8
Mortality and morbidity rates reduced by 5%:²		
Mortality	0.3	4.3
Longevity	-0.2	-0.7
Morbidity	0.1	1.4
Future mortality improvements:		
Linearly reduce mortality improvements to 0% p.a. 5 years earlier than the base assumption	n/a	-0.6

¹ This sensitivity illustrates the impact of parallel shifts in risk-free interest rates on the balance sheet. The business volume is assumed to be constant.

² The assumption is that future mortality/morbidity rates are lower than those assumed in the base calculations by a uniform 5% in all future years. The related impact on profit share agreements and changes in premium rates have been reflected.

All sensitivities exclude the impact on additional taxes.

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