

Annual Report 2022  
Letter to shareholders





Christian Mumenthaler  
Group Chief Executive Officer



Sergio P. Ermotti  
Chairman of the Board of Directors

**Dear Shareholders,**

A terrible war in Europe, destructive natural catastrophes, the continuing pandemic, and an abrupt spike in inflation – all this and more dominated 2022, making it one of our industry’s most turbulent years on record. Despite these challenges, Swiss Re concluded last year in a stronger position than at the start of 2022, as evidenced by the solid fourth-quarter performance delivered by our main businesses and by

our very strong capital position. Our outlook for 2023 has greatly improved.

But first, let us review some key factors that shaped 2022. On the macroeconomic front, the year was strongly influenced by concerns over both inflation and a global economic slowdown. After decisive action by central banks to curb inflation by raising interest rates, the economic environment remains volatile. Though inflation in some

regions has slightly eased, it is likely to remain higher than in recent decades for a prolonged period. Important questions linger: Will major economies avoid a recession? If not, how long will a downturn last, and how deep will it be?

Moreover, if central bankers halt interest rate hikes prematurely, before inflation returns to target levels, savers will be hurt as rising prices eclipse investment returns.

This, coupled with the spectre of slowing economies, raises the potential for a widening inequality gap and a weakening of social cohesiveness.

To adjust to this macroeconomic backdrop and ensure we are well prepared for what lies ahead, Swiss Re took action throughout the year. We added USD 1.1 billion in reserves<sup>1</sup> to address the risk of higher future claims payments arising due to economic inflation across our property and casualty businesses. This positions Swiss Re better for the future, but it affected our 2022 profitability. At the same time, though rising interest rates are already helping compensate for this impact through higher contributions from our fixed-income portfolio, the full benefit of higher yields will materialise only gradually.

Financial markets, long buoyed by rock-bottom interest rates, were also affected by the sudden change in monetary policy as well as uncertainty created by the tragic war in Ukraine. Financial market volatility is directly affecting our results, as under US Generally Accepted Accounting Principles (US GAAP) we have to book mark-to-market adjustments on financial investments in our income statements each quarter, in contrast to our European competitors that report under International Financial Reporting Standards (IFRS). This resulted in approximately USD 0.6 billion of mark-to-market losses, net of hedges, in listed equities, private equity and principal investments in 2022.

In spite of these headwinds, Swiss Re continued to support clients' efforts over the course of the year to recover quickly from significant global and regional events. The lingering COVID-19 pandemic left its mark again, resulting in claims of USD 0.6 billion in our Life & Health Reinsurance (L&H Re)

business, predominantly in the first quarter of 2022. As COVID-19 moves to endemic status, however, mortality is down in many regions, helping return L&H Re to a solid full-year profit.

Natural catastrophes again made their presence felt, be it through major storms such as Hurricane Ian, one of the strongest hurricanes to ever make landfall in the US, or through smaller perils, such as floods and hailstorms, which together caused significant damages. Overall, natural catastrophes caused an estimated USD 125 billion in insured claims in 2022, far exceeding the 10-year average of USD 81 billion. Natural catastrophe claims in our Property & Casualty Reinsurance (P&C Re) business amounted to USD 2.7 billion<sup>2</sup>, coming in USD 0.5 billion above expectations, net of favourable prior-year development.

Amid these challenges, we've kept an unwavering focus on executing the Group strategy and remain committed to the natural catastrophe business, which has been profitable over the long term even as we experience annual fluctuations.

Our strong emphasis on portfolio quality and repricing risks to improve shareholder returns while continuing to support clients is bearing fruit, as evidenced by the successful January 2023 P&C Re renewals. Moreover, after absorbing a significant impact from COVID-19, L&H Re returned to attractive levels of profitability as we adjusted our business to reflect the pandemic's impact. And Corporate Solutions continued to deliver resilient results and outperformed its full-year targets.

We remain confident that Swiss Re, in its 160th year after its founding in 1863, is well positioned to succeed and fulfil its

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<sup>1</sup> This includes prior-year and current year reserves in the form of IBNRs.

<sup>2</sup> Net of reinstatement premiums of USD 0.2 billion.

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central mission of making the world more resilient. As we face up to the challenges of a volatile world, Swiss Re will continue doing what we’ve always done: acting as a shock absorber by providing protection and evolving risk knowledge to gird our clients against future threats.

### 2022 Group and business performance

As a result of the factors we described, Group net income amounted to USD 472 million, with a return on equity (ROE) of 2.6% for the full-year 2022. This compares with a net income of USD 1.4 billion and an ROE of 5.7% for 2021. Net premiums earned and fee income for the Group rose 0.9% to USD 43.1 billion in 2022, compared with the same period in the previous year. Growth was negatively affected by adverse foreign exchange developments, while at stable foreign exchange rates, the increase amounted to 5.3%.

While return on investments declined to 2.0% from 3.2%, impacted by the decline in global equity markets and the associated mark-to-market adjustments, the recurring income yield increased to 2.6% in 2022 from 2.2% in 2021, benefitting from reinvestments in a rising interest rate environment. This has resulted in a favourable acceleration of reinvestment returns. In the fourth quarter, the recurring income yield rose to 3.0%, while the fixed income reinvestment yield reached 5.1%.

P&C Re posted net income of USD 312 million, compared with USD 2.2 billion in 2021. The full-year result was negatively impacted by higher-than-expected economic inflation and natural catastrophe claims. The reported P&C Re combined ratio was 102.4% for the full year, and the normalised<sup>3</sup> combined ratio was 96.9%, missing the target of less than 94%.

The January 2023 P&C Re renewal round was dominated by the need to review pricing, wordings and structures. Natural catastrophes, from Hurricane Ian on the US Atlantic Coast and flooding in Australia to hail-laden convective storms in Europe, intensified the urgency to achieve significant price increases as well as higher retentions for insurers ceding risk. We are satisfied with the results we achieved, delivering a 13% treaty volume increase compared with the business that was up for renewal and an overall price increase of 18%, more than offsetting higher loss assumptions of 13%, which reflect inflation and other changes in risk assessment.

L&H Re reported a net income of USD 416 million for 2022, compared with a net loss of USD 478 million in the previous year. COVID-19-related claims decreased to USD 588 million from almost USD 2 billion in 2021. The business exceeded its full-year profitability target of approximately USD 300 million, helped by successful transactions in the Americas. For 2023, L&H Re will continue its focus on growth and innovation, improving its profitability, executing on our sustainability strategy and delivering on underwriting excellence.

Corporate Solutions’ net income declined to USD 486 million from USD 578 million in 2021, impacted by elevated large man-made losses including impacts related to the war in Ukraine and significantly less favourable prior-year developments. Nevertheless, the result reflects a robust underlying business performance and strong new business growth in selected focus portfolios. Corporate Solutions’ combined ratio was 93.1% for the full year, outperforming the target of less than 95% for 2022. Corporate Solutions is strengthening partnerships with clients, as we help them manage complex,

<sup>3</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development.

interconnected risks that require a digital transformation to leverage data via our Risk Data & Services platform.

Swiss Re's digital white labelling platform iptiQ continued to grow in 2022, increasing its in-force policies to more than 2.1 million from 1.6 million in the prior-year period. Gross premiums written increased by 17.7% from the previous year to USD 851 million, with contributions across all regions. At stable foreign exchange rates, growth of 27.8% was achieved. One highlight: the business deployed its Tangram platform, created originally for iptiQ's EMEA L&H business, to automate underwriting for a new Zurich Insurance Group digital life insurance product that can be completed by customers quickly and seamlessly online.

Our capital position has remained very strong, with the Group Swiss Solvency Test (SST) ratio at 294% as of 1 January 2023. This has enabled us to take advantage of attractive market conditions at the January 2023 renewals while continuing our commitment to our capital return policy. The Board of Directors is proposing a dividend of USD 6.40 per share at the upcoming Annual General Meeting (AGM).

### **Taking a comprehensive approach to sustainability**

Swiss Re continued its focus on building a sustainable business, making further progress on emissions reductions aimed at achieving net-zero greenhouse gas (GHG) emissions<sup>4</sup> from our own operations by 2030, and from our investment and underwriting portfolios by 2050.

In Asset Management, we set a target to reduce the carbon intensity of our corporate bond and listed equity portfolio by 35% by 2025 and have already achieved a 42% reduction relative to the

base year 2018. We continue to hold on to our longer-term goal of exiting coal-based assets by 2030 for listed equity and corporate bond portfolios.

In Underwriting, Swiss Re announced in March 2022 how it plans to align its oil and gas business to its net-zero commitments, including our aim that half of our oil and gas premiums from individual re/insurance covers by 2025 will come from companies aligned with net-zero GHG targets. By 2030, Swiss Re's oil and gas re/insurance portfolios should contain only companies aligned with net zero by mid-century. As part of the thermal coal policy that Swiss Re established in 2018, we continue to make progress on a complete phase-out of our thermal coal exposure in OECD countries by 2030 and the rest of the world by 2040.

While the war in Ukraine resulted in disruptions to energy markets in Europe and beyond, we firmly believe that this tragic conflict should in no way lead to the softening of net-zero targets. At the heart of Swiss Re's Group Sustainability Strategy 2023–2025 is our continued commitment to the net-zero transition as we further reduce direct and indirect GHG emissions from our own operations while simultaneously helping clients to do the same with their activities.

Building societal resilience also remains in focus, supporting climate change adaptation, enhancing the world's ability to recover from disasters and fostering the financial inclusion that comes with expanded insurance access. In order to make insurance more affordable, available and accessible, Swiss Re focuses on groups that could not yet be reached by our industry, such as people with chronic health conditions and rural communities. In

“Building societal resilience also remains in focus, supporting climate change adaptation, enhancing the world's ability to recover from disasters and fostering the financial inclusion that comes with expanded insurance access.”

<sup>4</sup> Net zero means that for every tonne of GHG emissions that cannot be avoided, an equivalent amount of CO<sub>2</sub> needs to be removed from the atmosphere and stored permanently.

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2022, for instance, Swiss Re worked with a partner in China to develop a critical illness product sold through an app-based digital payment platform, helping expand access to millions more people. In the Indian state of West Bengal, Swiss Re partnered with the Agriculture Insurance Company of India, the state government and the National Remote Sensing Centre on a parametric solution for farmers hit by drought.

Swiss Re has also renewed its commitment to promoting diversity in our leadership. Reflecting diversity is of the utmost importance to the Board of Directors.

After the Board of Directors last year made a formal commitment to reach female representation at Board level of 30% or more by the following AGM, Swiss Re has proposed to elect Vanessa Lau, Group Chief Financial Officer of Hong Kong Exchanges and Clearing Limited, and Pia Tischhauser, an Executive Committee member at Boston Consulting Group until 2021, as new Board members at the upcoming 2023 AGM. Following the recently announced Group reorganisation, female representation in the Group Executive Committee will also further increase.

The company has made additional progress on efforts to address all aspects of Diversity, Equity & Inclusion (DEI), as we promote core themes including Gender, Generations, Race & Ethnicity, LGBTI+ and Mental Health. We've refreshed our DEI strategy, putting inclusion at its heart to drive greater impact with focus, accountability and commitment from all of us. Our aim is clear: to create an even more inclusive culture that harnesses value from our diversity.

Please see our 2022 Sustainability Report for more information about these and other initiatives at Swiss Re.

## **Outlook and new profitability targets**

A profound shift in the re/insurance market has occurred after years in which the risk landscape where Swiss Re operates was marked by excess capacity and a surplus of capital from traditional and non-traditional providers. Our industry now finds itself at a turning point, as we are experiencing a return to an environment characterised by more sustainable pricing. Swiss Re appreciates the opportunities and responsibilities that come with this reinvigorated risk awareness and stands ready to partner with our clients to support them after catastrophes occur, or even better, help them adapt before an event materialises.

To ensure we are optimally positioned to fulfil this role, Swiss Re announced changes to the Group's organisational structure in February 2023 to simplify our structures, improve efficiency and enhance client experience. Among changes that take effect in April 2023, the Reinsurance Business Unit will be split into separate L&H Re and P&C Re Business Units, each with its own focused underwriting. We have also established a new Global Clients and Solutions Business Unit to improve engagement with our largest clients and to advance our strategic growth areas.

The Swiss Re that we are building is designed to be a nimbler, leaner reinsurer, where employees are more empowered, decision making is swift and there is improved accountability in the market.

This transformation will also empower Swiss Re toward reaching its 2023 Group financial targets, where we are aiming for Group net income of more than USD 3 billion. Given the high level

of geopolitical and macroeconomic uncertainty, Swiss Re aims to maintain its very strong capitalisation in 2023, with the Group SST ratio materially above the 200–250% target range.

P&C Re will target a reported combined ratio of less than 95% for 2023; L&H Re will aim for a net income of approximately USD 900 million; and Corporate Solutions will target a reported combined ratio of less than 94%.

The positive outlook is supported by attractive market conditions and heightened risk awareness among our clients and their customers. Tailwinds are also coming from the expected continued decline in COVID-19 claims and higher interest rates that help lift our investment returns, as well as cost discipline.

Though perceptions of pandemic risk are waning in much of the world, COVID-19 will most likely remain a threat as it

becomes endemic and circulates globally for decades to come, causing seasonal waves of infection just like with influenza and other respiratory illnesses. Still, its impact on insurance portfolios will be vastly reduced. Our focus ahead should be helping prepare society for future global health crises.

With the macroeconomic outlook, volatility is likely to continue. Recessions have been forecast in numerous geographies, though the timing, severity and duration of potential downturns remain uncertain.

Though the volatility we experienced in 2022 is likely to continue unabated, we are confident that our approach to evaluating, pricing and mitigating risk will drive us forward to achieve our 2023 targets. We would like to thank our employees for their engagement and dedication to Swiss Re.

We would also like to thank you, our shareholders, for your continued support.

Zurich, 16 March 2023



Sergio P. Ermotti  
Chairman of the Board of Directors



Christian Mumenthaler  
Group CEO

# Financial highlights

## Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2021	2022	Change in %
<b>Group</b>			
Net income/loss attributable to common shareholders	1 437	472	-67
Gross premiums written	46 658	47 889	3
Premiums earned and fee income	42 726	43 118	1
Earnings per share in CHF	4.52	1.63	-
Shareholders' equity	23 568	12 699	-46
Return on equity in % <sup>1</sup>	5.7	2.6	
Return on investments in %	3.2	2.0	
Net operating margin in % <sup>2</sup>	5.1	2.7	
Number of employees <sup>3</sup>	13 985	14 408	3
<b>Property &amp; Casualty Reinsurance<sup>4</sup></b>			
Net income/loss attributable to common shareholders	2 216	312	-86
Gross premiums written	23 246	23 848	3
Premiums earned	21 926	22 028	0
Combined ratio in %	97.1	102.4	
Net operating margin in % <sup>2</sup>	12.2	3.2	
Return on equity in % <sup>1</sup>	21.4	3.8	
<b>Life &amp; Health Reinsurance<sup>4</sup></b>			
Net income/loss attributable to common shareholders	-478	416	-
Gross premiums written	16 119	15 986	-1
Premiums earned and fee income	14 995	14 984	-0
Net operating margin in % <sup>2</sup>	-1.8	4.3	
Return on equity in % <sup>1</sup>	-5.6	8.4	
<b>Corporate Solutions</b>			
Net income/loss attributable to common shareholders	578	486	-16
Gross premiums written	7 492	8 198	9
Premiums earned	5 343	5 482	3
Combined ratio in %	90.6	93.1	
Net operating margin in % <sup>2</sup>	13.5	11.0	
Return on equity in % <sup>1</sup>	22.3	20.0	

<sup>1</sup> Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.

<sup>2</sup> 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".

<sup>3</sup> Regular staff.

<sup>4</sup> Comparative information for 2021 has been revised to reflect the reallocation of part of Principal Investments, Admin Re US as well as certain cross-segmental loans from Group items to Reinsurance.



# Corporate calendar

## 2023

12 April 2023

159th Annual General Meeting

4 May 2023

First quarter 2023 key financial data

4 August 2023

Half-year 2023 results

3 November 2023

Nine months 2023 key financial data

### Annual Report 2022

In this report, we present our business performance, strategy and economic position. We also show how we leverage our risk knowledge to make the world more resilient.

### Sustainability Report 2022

In this report, we describe Swiss Re's Sustainability Strategy and its implementation in 2022.



Read more online:

[reports.swissre.com/2022](https://reports.swissre.com/2022)

# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “target”, “aim”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend” and similar expressions, or by future or conditional verbs such as “will”, “may”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re’s (the “Group”) actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause the Group to not achieve its published targets. Such factors include, among others:

- macro-economic events or developments including increased volatility of, and/or disruption in, global capital, credit, foreign exchange and other markets and their impact on the respective prices, interest and exchange rates and other benchmarks of such markets, and historically high inflation rates;
- the frequency, severity and development of, and losses associated with, insured claim events, particularly natural catastrophes, man-made disasters, pandemics, including the coronavirus (“COVID-19”), social inflation litigation, acts of terrorism or acts of war, including the ongoing war in Ukraine, and any associated governmental and other measures such as sanctions, expropriations and seizures of assets as well as the economic consequences of the foregoing;
- the Group’s ability to comply with standards related to environmental, social and governance (“ESG”), sustainability and corporate social responsibility (“CSR”) matters and to fully achieve goals, targets, or ambitions related to such matters;
- the Group’s ability to achieve its strategic objectives;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;

- mortality, morbidity and longevity experience;
- the cyclical nature of the reinsurance sector;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- matters negatively affecting the reputation of the Group, its board of directors or its management;
- the lowering, loss or giving up of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities as well as changes in accounting standards, practices or policies;
- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

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