Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Insurance market report 2017

Foreword

This report provides an overview of the Swiss insurance market in 2017. It is divided into four sections, which focus on the overall market, life, non-life and reinsurance sectors.

The figures presented in the report have been prepared on a statutory basis; any changes in the values of assets and liabilities do not generally correspond to market value adjustments. Most asset classes are shown at cost, e.g. equities at the lower of cost or market rule. Bonds are shown at amortised cost, i.e. the carrying values are not sensitive to interest rates. On the liabilities side, technical provisions for life insurers are discounted with technical interest rates and not with the prevailing market yield curve. Technical provisions for non-life insurers are generally undiscounted, while accident insurance benefits (UVG) have been specifically excluded.

Aggregated data on balance sheets and income statements as well as the Swiss Solvency Test (SST) contain only the values for solo insurance companies subject to FINMA supervision. Data on tied assets and premiums also include the figures for FINMA-supervised Swiss branches of foreign insurance companies and general health insurance companies in the supplementary health insurance sector.

This report and the electronic data tables on the FINMA insurers' reporting portal include the insurance market data reported to FINMA by the insurance companies. While FINMA checks the plausibility of the data, it cannot guarantee the accuracy of the figures.

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Supervised insurance companies and sectors

Supervised insurance companies and sectors

	2017	2016
Life insurers, including – insurance companies domiciled in Switzerland – branches of foreign insurance companies	19 16 3	19 16 3
Non-life insurers, including – insurance companies domiciled in Switzerland (incl. 19 supplementary health insurance companies [2016: 21]) – branches of foreign insurance companies (incl. 2 supplementary health insurance providers [2016: 2])	118 73 45	120 74 46
Reinsurers (total)	55	55
Reinsurers	28	30
Reinsurance captives	27	25
General health insurance companies offering supplementary health cover	12	13
Total number of supervised insurance companies and general health insurance companies	204	207
Insurance groups and conglomerates	6	6

Total market

Key figures

Swiss insurance companies achieved aggregate annual profits of CHF 7.6 billion in 2017, which is CHF 3.4 billion or 31% less than in the previous year. While life insurers were able to increase their profits compared with the previous year by CHF 336 million (32%), non-life insurers and reinsurers reported falls of CHF 1.7 billion (24%) and CHF 2.1 billion (71%) respectively. Both of these sectors were adversely affected by a number of natural catastrophes including hurricanes in the US and the Caribbean and wildfire damage, also in the US.

Nevertheless, despite the sharp decline in annual profits, the equity base fell only slightly by 3.6% compared with the previous year, while the return on equity was 9.24%, a fall of 3.7 percentage points compared with the previous year.

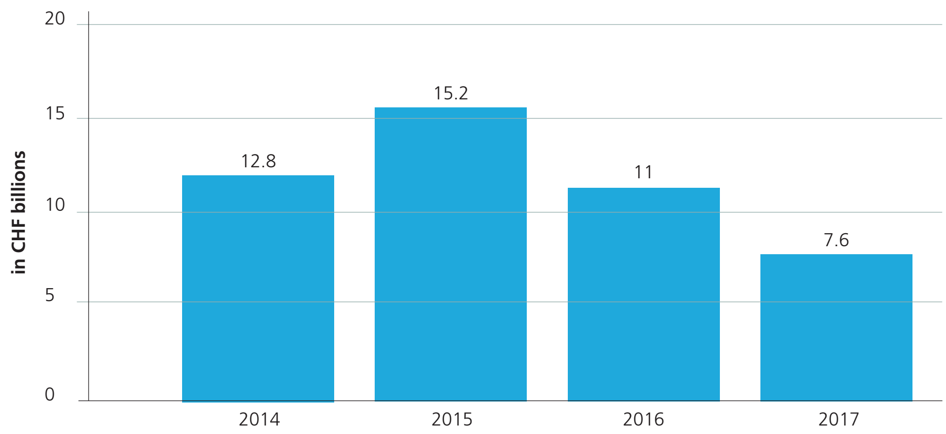
The cover ratio of tied assets increased by 2 percentage points during the reporting year and was 112% at year end. The solvency ratio according to the Swiss Solvency Test was 209%, an increase of 8 percentage points compared with the previous year.

Key figures of total market
(in CHF thousands)

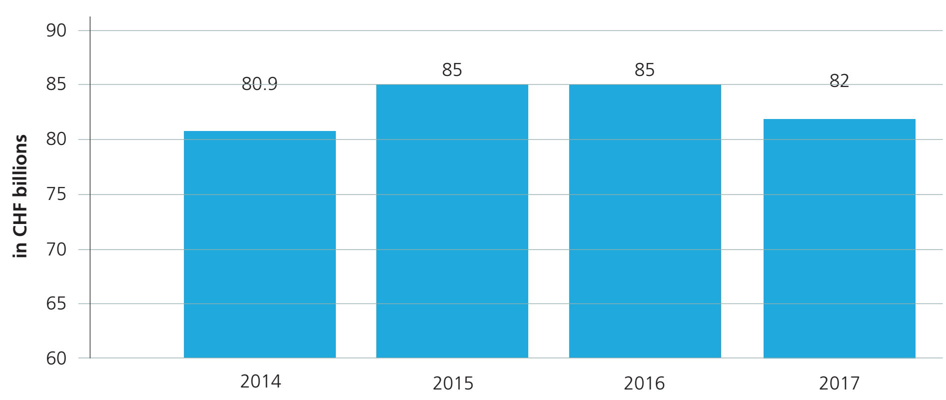
	2017	2016	+/–
Gross premiums written	130,059,205	131,792,668	–1.3%
Claims paid out	74,601,897	74,904,469	–0.4%
Cost for the change in technical liabilities	16,667,527	11,970,699	39.2%
Cost for the change in other actuarial liabilities	759,505	4,025,796	–81.1%
Costs for underwriting	25,961,831	25,078,981	3.5%
Taxes	1,494,632	1,522,656	–1.8%
Gains/losses from investments	18,075,040	17,838,025	1.3%
Annual profits	**7,578,085**	**11,004,389**	**–31.1%**
Balance sheet total	**696,658,763**	**674,531,300**	3.3%
Investments	586,674,719	579,302,186	1.3%
Technical liabilities	495,178,160	482,136,754	2.7%
Equity (before profit allocation)	**82,043,946**	**85,064,665**	**–3.6%**
Return on investments (in %)	**3.25%**	**3.28%**	–0.03 pp
Return on equity (in %)	**9.24%**	**12.94%**	–3.70 pp
SST solvency ratio (in %)	**209%**	**201%**	+8 pp
Tied assets coverage ratio (in %)	**112%**	**110%**	+2 pp

Total market

Annual profits total market



Equity capital total market



Investments

The following section provides information about total assets and the return on investments of total assets as reported by Swiss insurance companies in 2017. It also gives an overview of how tied assets are allocated.

Total assets invested

Total investments by Swiss insurance companies increased by 1.3% during the 2017 financial year and amounted to CHF 587 billion at the end of 2017. Life insurance companies grew by 1.2%, non-life insurance companies by 1.3% and reinsurers by 1.5%.

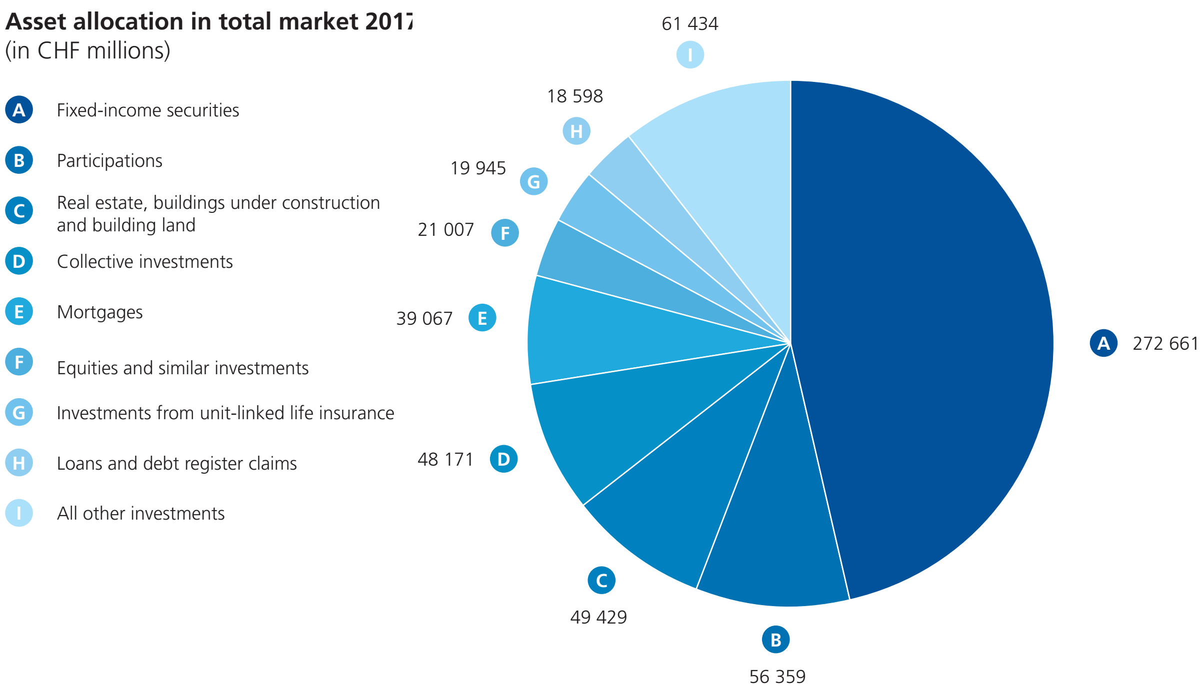
Distribution of total assets

Capital allocation among insurance companies remained mostly stable compared with the previous year. The portfolio of fixed-interest investments declined slightly, while investments in alternative investments, mortgages and real estate increased, as in the previous year. The portfolio of collective investment schemes and shares, on the other hand, increased slightly compared with the previous year, but remained at a low level. Fixed-interest securities remained the dominant asset class, despite the low interest rates (53% of total investments in life insurance, 36% in non-life insurance and 39% in reinsurance).

Asset allocation in total market
(in CHF thousands)

	2017	2017	2016	2016
Real estate, buildings under construction and building land	49,429,295	8%	47,433,543	8%
Participations	56,359,458	10%	54,847,888	10%
Fixed-income securities	272,660,854	46%	280,074,259	48%
Loans and debt register claims	18,597,518	3%	18,478,285	3%
Mortgages	39,066,508	7%	36,716,964	6%
Equities and similar investments	21,007,141	4%	17,819,713	3%
Collective investments	48,171,125	8%	44,647,693	8%
Alternative investments	13,635,081	2%	11,369,817	2%
Credits from derivative financial instruments	4,137,330	1%	5,329,159	1%
Time deposits and other money market investments	3,186,784	1%	5,787,048	1%
Policy loans	326,728	0%	374,776	0%
Other investments	21,903,445	4%	18,694,265	3%
Liquid assets	18,244,735	3%	18,122,340	3%
Investments from unit-linked life insurance	19,948,717	3%	19,606,436	4%
Total investments	**586,674,719**	**100%**	**579,302,186**	**100%**

Asset allocation in total market 2017
(in CHF millions)



Return on investments of total assets
The return on investments is reported in accordance with statutory provisions.

The aggregated return on investments by life insurers declined by 37 basis points to 2.52% compared with the previous year, while non-life insurers lost 38 basis points, achieving a return of 4.06% on their investments. Among the reasons why non-life insurers achieved a higher return on investment compared to life insurers is the substantial proportion of foreign investments they hold in their capital portfolios. While life insurance companies held 94% of their investments in tied assets, this share amounted to 50% for non-life insurance companies. The aggregated return on investments for reinsurers rose by 175 basis points to 4.45% in 2017.

The lower return on investment of life insurers can be attributed primarily to a decrease in realised gains on fixed-interest securities. In the case of non-life insurance companies, the lower return on investment was due to reduced direct income, primarily from shareholdings. The increase in the aggregated return on investments for reinsurers is due to a rise in direct income from shareholdings and collective investments combined with higher unrealised gains on fixed-income securities and derivative financial instruments.

Return on investments

	2017	2016
Total market	3.25%	3.28%
Life	2.52%	2.89%
Non-life	4.06%	4.44%
Reinsurance	4.45%	2,70%

Asset allocation in tied assets
(in %)

	Life 2017	Life 2016	Non-life 2017	Non-life 2016
Real estate, buildings under construction and building land	17%	16%	12%	12%
Participations	1%	1%	0%	0%
Fixed-income securities	57%	59%	50%	52%
Loans and debt register claims	2%	2%	1%	1%
Mortgages	10%	9%	6%	6%
Equities and similar investments	5%	4%	8%	7%
Collective investments	3%	3%	10%	10%
Alternative investments	3%	2%	5%	5%
Net derivatives position	–1%	0%	0%	0%
Time deposits and other money market investments	0%	0%	1%	1%
Receivables from reinsurance companies	0%	0%	2%	1%
Other investments	2%	2%	2%	1%
Liquid assets	1%	1%	5%	4%
Total investments in CHF thousands	**299,390,580**	**292,140,460**	**74,950,689**	**70,758,817**

Investments in tied assets
At the end of 2017, Swiss insurance companies held a total of CHF 374 billion in tied assets (CHF 12 billion, or 3.1% more than in the previous year), and a further CHF 19 billion in investments from unit-linked life insurance.

In the life insurance sector, 94% (+1 percentage point compared with the previous year) of aggregate investments by all life insurance companies (90% of total assets, +1 percentage points compared with the previous year) was held in tied assets at the end of 2017. In the non-life insurance sector, the figures were 50 percentage points of investments (+2 percentage points compared with the previous year) and 43 percentage points of total assets (also +2 percentage points compared with the previous year).

In 2017, life insurance companies held 84% of their tied assets in fixed-interest bonds, real estate and mortgages. In the case of non-life insurance companies, fixed-interest securities made up half of the tied assets, with real estate (12%) and collective investment schemes (10%) as the next largest investment categories.

The low market interest rates that have persisted for years are continuing. In 2017, the ten-year spot rate for federal bonds averaged –0.07% (–0.36% in the previous year) and ended the year at –0.10% (–0.14% in the previous year), altogether only slightly higher (or less negative) than in the previous year.

Offering and managing life insurance contracts with savings components therefore continued to be a major challenge in 2017, because it meant offsetting obligations arising from liabilities with long-term interest rate guarantees against invested assets that had to be renewed continuously at historically low returns. One way in which life insurance companies are responding to this situation is by reducing their long-term guarantees.

Key figures

As in the previous year, gross premiums written decreased by 3.7% (previous year 5.7%) in 2017, which is attributable to single premiums. Periodic premiums, on the other hand, remained stable. The decline in single premiums is mainly due to more restrictive underwriting practices in the occupational pensions sector that aim to address the tense situation caused by low interest rates and the failed pension reforms.

Even though payments for insurance claims remained at the previous year's level and expenditures for insurance operations fell by –2.0%, investment income (–11.2%) was significantly below that of the previous year. Annual profits nevertheless increased by 31.5% overall, despite the formation and liquidation of technical provisions and after considering the other income statement items. The reason for this is the change in technical provisions, which fell significantly during the reporting year compared with the previous year. The rate at which new actuarial reserves are formed fell by around 20%; the rate at which other provisions are formed declined by 60%. In other words, the amounts necessary for boosting the actuarial reserve and other provisions were significantly higher in the previous year than in the reporting year.

Total assets of life insurers rose by 0.9%. Both investments and technical provisions grew by 1.2%. Equity capital increased by 3.6%. The return on equity was 8.52% (6.71% in the previous year).

Life insurance companies

The assets that life insurers need in order to meet their insurance obligations must be secured with tied assets. The target amount is defined as 101% of the technical provisions and must always be covered with corresponding investments, which are subject to stringent guidelines. The cover ratio of tied assets indicates the amount available in that category as a percentage of the target amount. The tied assets and the risk-based solvency regime under the SST are meant to ensure a high level of security for policyholders of Swiss insurance companies.

Key figures of life insurers
(in CHF thousands)

	2017	2016	+/–
Gross premiums writen	31,544,023	32,743,217	–3.7%
Claims paid out	30,561,682	30,485,997	0.2%
Cost for the change in technical liabilities	2,825,227	3,556,837	–20.6%
Cost for the change in other actuarial liabilities	1,244,558	3,151,147	–60.5%
Costs for underwriting	2,179,817	2,225,156	–2.0%
Taxes	354,965	205,198	73.0%
Gains/losses from investments	7,990,807	9,002,570	–11.2%
Annual profits	**1,398,285**	**1,062,931**	31.5%
Balance sheet total	**352,822,600**	**349,710,725**	0.9%
Investments	342,411,357	338,417,051	1.2%
Technical liabilities	306,498,834	302,950,096	1.2%
Equity (before profit allocation)	**16,411,813**	**15,842,951**	3.6%
Return on investments (in %)	**2.52%**	**2.89%**	–0.37 pp
Return on equity (in %)	**8.52%**	**6.71%**	+1.81 pp
SST solvency ratio (in %)	**178%**	**160%**	+18 pp
Tied assets coverage ratio (in %)	**108%**	**107%**	+1 pp

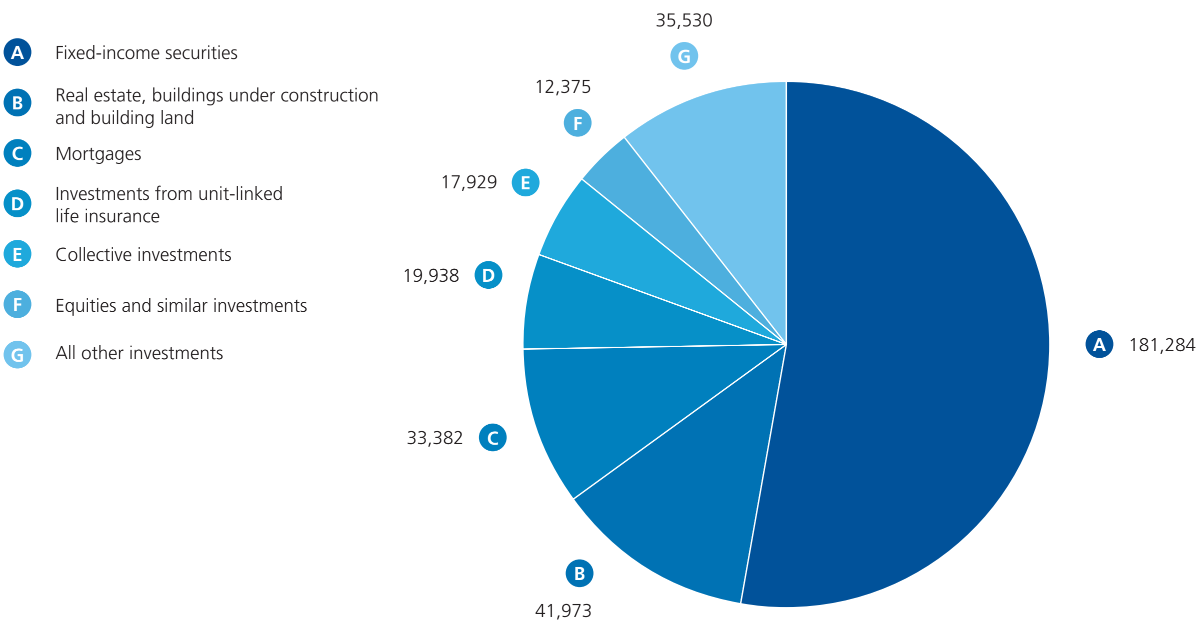
Asset allocation

Investments increased by a total of approximately CHF 4 billion during the reporting year. The ongoing low interest rate situation caused asset allocation to shift further from fixed-interest securities to real estate, mortgages and equities.

Asset allocation of life insurers
(in CHF thousands)

	2017	2017	2016	2016
Real estate, buildings under construction and building land	41,973,326	12%	40,143,846	12%
Participations	5,172,125	1%	4,924,438	1%
Fixed-income securities	181,283,812	53%	184,940,547	55%
Loans and debt register claims	9,345,338	3%	9,634,669	3%
Mortgages	33,382,238	10%	31,381,497	9%
Equities and similar investments	12,375,053	4%	10,124,202	3%
Collective investments	17,928,619	5%	16,408,040	5%
Alternative investments	8,290,137	2%	6,688,745	2%
Credits from derivative financial instruments	1,802,000	1%	2,456,383	1%
Time deposits and other money market investments	–632,476	0%	413,021	0%
Policy loans	326,728	0%	374,776	0%
Other investments	4,028,557	1%	5,002,748	1%
Liquid assets	7,198,006	2%	6,328,017	2%
Investments from unit-linked life insurance	19,937,896	6%	19,596,122	6%
Total investments	**342,411,357**	**100%**	**338,417,051**	**100%**

Asset allocation of life insurers 2017
(in CHF millions)



Premium trends

Premium income, consisting of periodic premiums and single premiums, continued to decline in the reporting year. Because of the continuing low-interest phase, this particularly affected insurance lines that include guarantees such as occupational pensions, traditional individual endowment and individual annuity insurance.

With CHF 22.4 billion, occupational pensions in the life insurance sector account for 71% of total gross premiums written. These premiums also include vested benefits that are transferred when contracts are taken over as well as new enrolments under existing contracts, amounting to approximately CHF 10 billion.

Gross premiums written
(in CHF thousands)

	2017	2016	+/–	Percentage of total 2017
Group life occupational pension schemes	22,398,763	23,285,933	–3.8%	71.0%
Classical individual capital insurance	4,240,231	4,375,737	–3.1%	13.4%
Classical individual annuity insurance	312,815	428,247	–27.0%	1.0%
Unit-linked life insurance	1,664,040	1,635,109	1.8%	5.3%
Life insurance linked to internal investment positions	197,921	101,520	95.0%	0.6%
Capitalisation and tontines	257,886	324,510	–20.5%	0.8%
Other life insurance segments	496,796	494,266	0.5%	1.6%
Individual life insurance not proratable on the branches	–	–	–	–
Health and casualty insurance	4,238	4,903	–13.6%	0.0%
Foreign branches	1,602,928	1,549,175	3.5%	5.1%
Reinsurance accepted	368,405	543,817	–32.3%	1.2%
Total	**31,544,023**	**32,743,217**	**–3.7%**	**100%**

Market shares in the direct Swiss business

The direct underwriting volume in Switzerland of the six largest life insurers (same as in the previous year) declined by 3.9% compared with 2016 (previous year –6.6%). While the six largest companies lost only a slight 0.5% of their market share in the previous year, they lost 3.5% during the reporting year. Their market share therefore comes to 86%, with the remaining 14% spread among the other 13 companies, 3 of which are branches.

Especially the three largest life insurers, Swiss Life, AXA and Helvetia, wrote significantly fewer premiums, which can be attributed to their conservative underwriting policy, especially in the occupational pensions and full-coverage insurance sectors. In addition, AXA announced in April 2018 that it would no longer offer full-coverage insurance as of 2019.

Market shares of life insurers
(in CHF thousands)

	Premiums written 2017	Market shares 2017	Premiums written 2016	Market shares 2016
Swiss Life	9,042,619	29.5%	9,583,329	31.3%
AXA Life Ltd	7,593,969	24.8%	7,992,512	26.1%
Helvetia Swiss Life Insurance Company Ltd	3,511,690	11.5%	3,661,251	11.9%
Baloise Life Ltd	3,014,463	9.8%	2,989,986	9.8%
Allianz Swiss Life Insurance Company Ltd	1,743,127	5.7%	1,758,771	5.7%
Zurich Life Insurance Company Ltd	1,443,127	4.7%	1,425,968	4.7%
Six largest insurers	**26,348,995**	**86.0%**	**27,411,817**	**89.5%**

Actuarial reserves

Actuarial reserves are insurance obligations that are calculated individually per policyholder on the basis of the financial statements. They are carried in the balance sheet as the main component of technical liabilities and used for establishing the tied assets (2017: CHF 306 billion, 2016: CHF 303 billion, 2015: CHF 297 billion, 2014: CHF 290 billion). Other components of underwriting liabilities include increases for longevity and supplementary provisions, e.g. for losses from conversion rates or IBNR, as well as premium deposits and surplus funds.

The actuarial reserves among the life insurers amount to a total of around CHF 269 billion, or 88% of underwriting liabilities.

The principles applied when calculating the technical provisions (actuarial reserves plus other provisions) must be determined prudently. Furthermore, the biometric fundamentals must be based on accepted statistical procedures, entered in the business plan and reviewed annually against current and individual benchmarks.

The total in actuarial reserves for all insurance sectors grew by 1.1% in 2017 (previous year 1.3%). Unlike in the case of premiums, actuarial reserves respond sluggishly to changes in underwriting policy. For example, the actuarial reserves of a closed portfolio (without new contracts) of full-coverage insurance contracts in occupational pensions can continue to grow for a long period where new employees join a company or when excessively high conversion rates necessitate an increase in these reserves due to a change in the rate of retirement.

Occupational pensions make up the main part of the actuarial reserves with 60%, followed by traditional individual endowment insurance (maturity or death) with 19%. The shares of the other sectors are in the single-digit percentage range.

Gross actuarial reserves
(in CHF thousands)

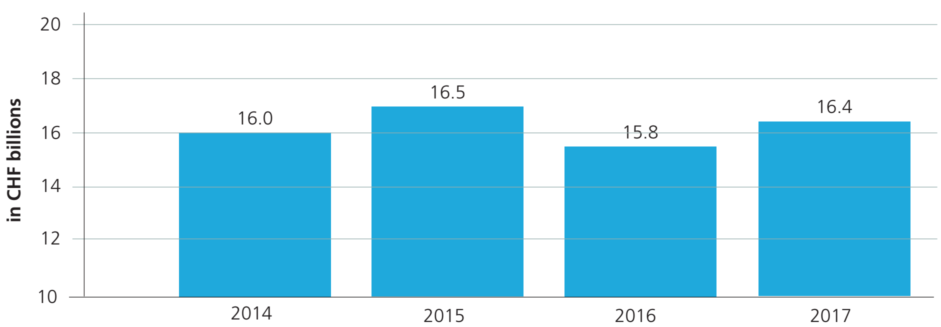
	2017	2016	+/–	Percentage of total 2017
Group life occupational pension schemes	161,529,781	159,011,406	1.6%	60.0%
Classical individual capital insurance	50,599,950	50,807,528	–0.4%	18.8%
Classical individual annuity insurance	16,167,536	16,867,202	–4.1%	6.0%
Unit-linked life insurance	16,148,800	15,183,708	6.4%	6.0%
Life insurance linked to internal investment positions	1,743,710	1,508,050	15.6%	0.6%
Capitalisation and tontines	2,726,830	2,596,586	5.0%	1.0%
Other insurance segments	2,561,386	2,698,546	–5.1%	1.0%
Foreign branches	17,104,341	16,971,479	0.8%	6.4%
Reinsurance accepted	529,378	624,234	–15.2%	0.2%
Total	**269,111,712**	**266,268,739**	**1.2%**	**100%**

While in traditional individual life insurance the actuarial reserves declined, they continued to increase for unit-linked life insurance and life insurance linked to internal investment portfolios, as in the previous year. With 6.6%, the share of these lines was, however, still significantly lower than that of traditional individual life insurance with 24.8%.

Changes in equity capital

At the end of 2017, the equity capital base came to CHF 16.4 billion, or 5.4% of the underwriting liabilities. In contrast to the previous year, the equity base increased by CHF 0.6 billion or 3.8% during the reporting year.

Equity capital of life insurers



Non-life insurance companies

The following information pertains to non-life insurers as well as to supplementary health insurers under the Insurance Contract Act (VVG).

Key figures

Premiums increased by 2.7% in total compared to the previous year, reflecting the growth in the direct as well as the indirect market.

Net claims payments increased by only 0.6%, which is significantly less than premiums. However, as the cost of further boosting provisions was much higher than in the previous year, the gross loss ratio declined by 4.1 percentage points to 65.7%.

Expenses from insurance operations increased at a higher rate than premiums. As the „other expenses

Key figures of non-life insurers
(in CHF thousands)

	2017	2016	+/–
Gross premiums written	49,241,703	47,967,106	2.7%
Claims paid out	25,961,281	25,811,840	0.6%
Cost for the change in technical liabilities	597,371	12,584	n/a
Cost for the change in other actuarial liabilities	798,173	645,157	23.7%
Costs for underwriting	10,097,966	9,548,200	5.8%
Taxes	739,231	757,187	–2.4%
Gains/losses from investments	6,060,406	6,517,964	–7.0%
Annual profits	**5,339,225**	**7,018,905**	–23.9%
Balance sheet total	**169,054,218**	**167,036,747**	1.2%
Investments	150,572,335	148,589,158	1.3%
Technical liabilities	84,669,696	83,445,422	1.5%
Equity (before profit allocation)	**38,987,401**	**39,385,332**	-1.0%
Return on investments (in %)	**4.06%**	**4.44%**	+0.38 pp
Return on equity (in %)	**13.69%**	**17.82%**	–c4.13 pp
Loss ratio (in %)	**66.7%**	**61.6%**	+4.1 pp
Expense ratio (in %)	**29.2%**	**29.2%**	–
Combined ratio (in %)	**94.9%**	**90.8%**	+4.1 pp
SST solvency ratio (in %)	**231%**	**228%**	+3 pp
Tied assets coverage ratio (in %)	**129%**	**125%**	+4 pp

for insurance activities" included in the expense ratio decreased, the gross expense ratio remained constant at 29.2%.

Investment income declined, despite slightly higher net realised capital gains, especially because of the significantly lower direct income from shareholdings, in which Zurich Insurance Company Ltd played a decisive role. The strong decline in aggregate annual profits is mainly due to the decline at Zurich Insurance Company Ltd, which was hit hard by a range of natural catastrophes.

Non-life insurance companies continue to experience very comfortable solvency levels. After the increase due to the changes in the calculation method in the previous year, the aggregate solvency ratio remained virtually constant at a high level.

Asset allocation

Emphasis is on stable asset allocation, not on "previous year".

Fixed-interest securities

Investments in fixed-interest securities constituted by far the largest asset category, with approximately 65% in corporate bonds and 35% in government bonds.

Investments in shareholdings

Investments in shareholdings affected only a few insurance companies, mainly Zurich Insurance Company Ltd with CHF 29.8 billion, Helvetia Swiss Insurance Company Ltd with CHF 2.5 billion, and AXA Insurance Ltd with CHF 2.3 billion. The acquisition of Helvetia Swiss Life Insurance Company Ltd by Helvetia Swiss Insurance Company Ltd (from Helvetia Holding AG) explains the increase in this position.

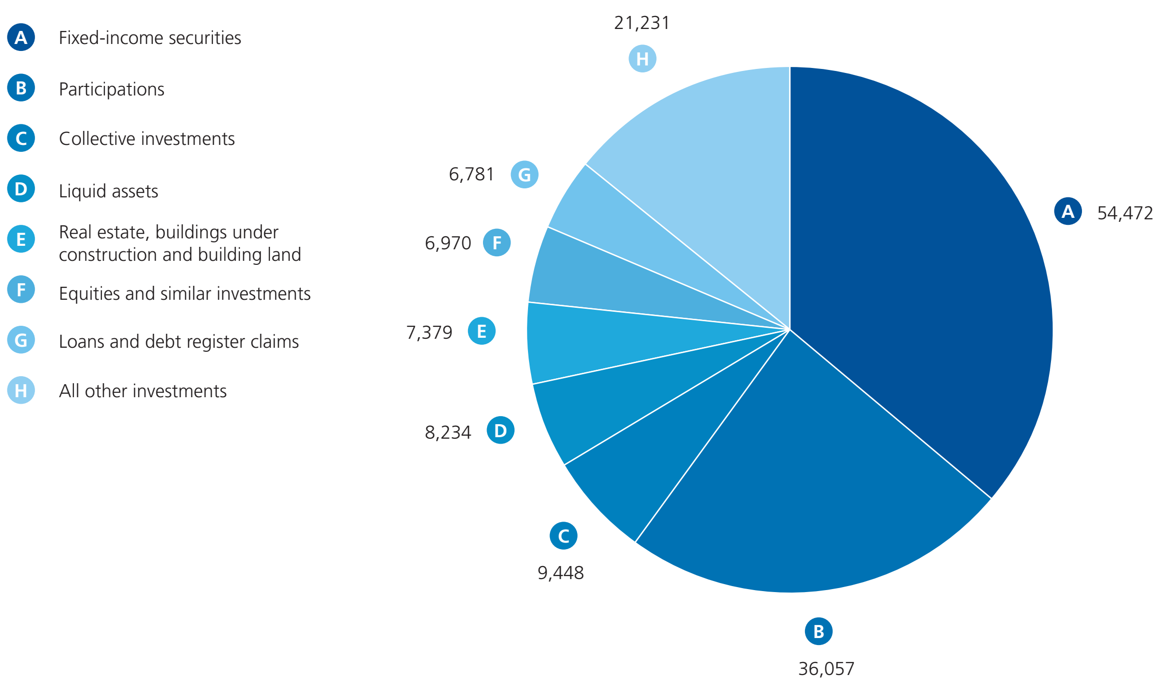
Other positions

The increase in the share of equities and similar investments is essentially due not to acquisitions but to higher values thanks to favourable markets. Investments in real estate and mortgages remained significantly less important for non-life insurers than for life insurers.

Asset allocation of non-life insurers
(in CHF thousands)

	2017	2017	2016	2016
Real estate, buildings under construction and building land	7,379,149	5%	7,216,255	5%
Participations	36,057,005	24%	34,812,658	23%
Fixed-income securities	54,471,530	36%	55,143,817	37%
Loans and debt register claims	6,781,034	5%	6,448,920	4%
Mortgages	4,875,236	3%	4,527,595	3%
Collective investments	6,969,565	5%	6,276,170	4%
Equities and similar investments	9,447,890	6%	9,685,144	7%
Alternative investments	4,441,554	3%	3,801,700	3%
Credits from derivative financial instruments	615,850	0%	716,275	0%
Time deposits and other money market investments	565,851	0%	2,779,297	2%
Policy loans	0	0%	0	0%
Other investments	10,733,909	7%	9,997,916	7%
Liquid assets	8,233,762	6%	7,183,411	5%
Total investments	**150,572,335**	**100%**	**148,589,158**	**100%**

Asset allocation of non-life insurers 2017
(in CHF millions)



Premium trends in the direct Swiss business

Premium trends in the direct Swiss market in 2017 were unchanged from the previous year at 2.1% and remained stable and slightly above GDP (1.5%, 1.0% in real terms).

In addition to the "health" sector, this trend was driven not so much by the large non-life insurance sectors but rather by the three sectors with above-average growth, which together accounted for only 4.7% of the overall market: legal protection, financial losses as well as credit and surety.

The sustained growth of 4.3% in the non-life "health" sector (where premium income is the highest) is attributable to further tariff and premium adjustments, which reflect the trend in health costs. The above-average growth in the other industries was driven by social trends (such as higher litigation risk), products being offered for emerging risks, an increased risk awareness (e.g. with regard to cyber risks), as well as targeted sales activities of market participants relying on cooperation agreements and new sales channels, among other things.

Gross premiums written
(in CHF thousands)

	2017	2016	+/–	Percentage of total 2017
Health	10,675,158	10,232,745	4.3%	38.6%
Fire/property	3,987,534	4,026,818	–0.1%	14.4%
Accident	3,031,477	2,992,074	1.3%	11.0%
Land vehicles (comprehensive)	3,308,830	3,265,001	1.3%	12.0%
Land vehicles (liability)	2,689,948	2,723,898	–1.2%	9.7%
Liability	1,976,178	1,982,532	–0.3%	7.1%
Marine, aviation and transport	351,611	363,624	–3.3%	1.3%
Legal expenses	618,477	584,619	5.8%	2.2%
Financial losses	433,310	379,148	14.3%	1.6%
Credit and surety	332,425	305,932	8.7%	1.2%
Tourist assistance	243,866	232,951	4.7%	0.9%
Total	**27,648,814**	**27,089,342**	**2.1%**	**100%**

Market shares in the direct Swiss business

The other main sectors „land vehicle (comprehensive)" and „accident" had slightly below-average growth of 1.3% each, or they had to accept a slight decline, as in the case of „fire, property damage" and „land vehicle liability". The main reasons for this is not only the prevailing and intense price competition (especially in the industrial „fire and liability" sector) but also the decline in newly registered vehicles and the weaker growth of the overall vehicle portfolio (comprehensive and motor vehicle liability) compared with previous years.

Market shares among the eight main direct non-life insurance companies in Switzerland changed very little. Only Swiss Mobiliar Insurance Company Ltd was able to increase its market share, while Zurich Insurance Company Ltd lost some.

From 2014 to 2015, the market share of the eight largest insurers jumped from 79.3% to 83.7% due to the acquisition and integration of the Swiss National Insurance Company into Helvetia Swiss Insurance Company Ltd. Since then, their market share has remained between 83.6% and 83.7%, falling to 83.3% in the reporting year.

Market shares of non-life insurers
(in CHF thousands)

	Premiums written 2017	Market shares 2017	Premiums written 2016	Market shares 2016
AXA Insurance Ltd	3,308,045	18.5%	3,271,711	18.5%
Swiss Mobiliar Insurance Company Ltd	2,781,660	15.6%	2,698,677	15.3%
Zurich Insurance Company Ltd	2,460,644	13.8%	2,530,051	14.3%
Allianz Suisse Insurance Company Ltd	1,848,404	10.4%	1,810,305	10.3%
Helvetia Insurance Company Ltd	1,501,756	8.4%	1,491,238	8.5%
Baloise Insurance Company Ltd	1,309,928	7.3%	1,289,753	7.3%
Vaudoise Insurance Company Ltd	867,910	4.9%	869,011	4.9%
Generali Insurance Company Ltd	785,876	4.4%	790,437	4.5%
Eight largest insurance companies	**14,864,223**	**83.3%**	**14,751,183**	**83.6%**

Claims ratios in the direct Swiss business

The above-average number and severity of natural hazard events (especially hail and flood) during the reporting year had a noticeable impact on claims ratios. The overall increase of 1.7 percentage points in the claims ratio to 64.6% is mainly due to this phenomenon. This trend was more evident in the markedly higher loss ratios in the "fire/property" (10.2 percentage points) and "land vehicles insurance" (7.0 percentage points) sectors compared to the previous year, the latter of which being mainly attributable to hail damage.

After having declined in recent years, the claims ratio in the "land vehicles (liability)" sector also rose at an above-average rate of 2.4 percentage points in 2017, even though traffic accidents resulting in bodily injury declined further. The total number of traffic accidents, on the other hand, rose by 1.9%. The further rise in healthcare costs was also reflected in higher claims expenditure in the "land vehicles (liability)" sector.

Tariff and premium adjustments in previous years also helped to improve the loss ratio in the "health" and "accident" sectors (a decrease of 2.7 and 6.2 percentage points respectively).

The partially reversed trend in the loss ratios of the "liability", "financial losses", "marine, aviation, transport" and "credit and surety" sectors exposed to industrial and commercial risks reflects the volatility of this business with regard to large contracts and major claims.

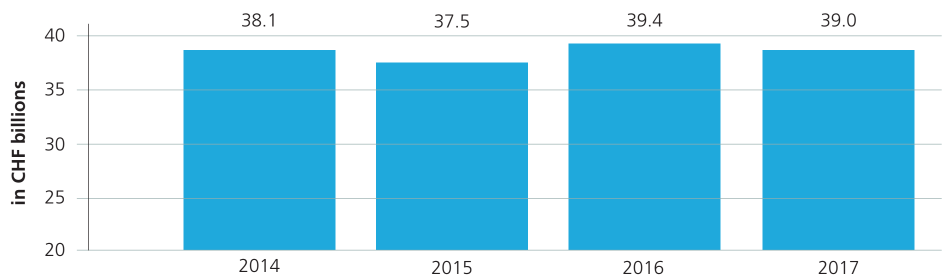
Loss ratios for direct Swiss business

	2017	2016	+/–
Health	75.0%	77.7%	–2.7 pp
Fire/property	55.9%	45.7%	+10.2 pp
Accident	66.6%	72.8%	–6.2 pp
Land vehicles (comprehensive)	71.7%	64.7%	+7.0 pp
Land vehicles (liability)	41.7%	39.3%	+2.4 pp
Liability	52.6%	41.5%	+11.1 pp
Marine, aviation and transport	42.4%	50.7%	-8.3 pp
Legal expenses	53.6%	53.2%	+0.4 pp
Financial losses	61.1%	70.9%	–9.8 pp
Credit and surety	45.5%	40.1%	+5.4 pp
Tourist assistance	73.8%	76.2%	-2.4 pp
Total	**64.6%**	**62.9%**	**+1.7 pp**

Changes in equity capital

The equity ratio decreased in 2015, due to a one-off effect at Zurich Insurance Company Ltd. However, the equity capital of non-life insurers increased again in the reporting year.

Equity capital of non-life insurers



Supplementary health insurance providers

Key figures

The supplementary health insurance market changed slightly during the reporting year: Vivao Sympany Health Insurance (acquired by Sympany Insurance Ltd), UNIQA Assurances SA (portfolio transfer to UNIQA Insurance Ltd, Liechtenstein) and Wincare Supplementary Insurance left the market. Wincare was merged with Sanitas health insurance company.

Total premium income increased by 3.8%. It should be noted that total premium income is a mixed calculation of premium reductions and increases and also includes policyholders who take out insurance or discontinue their plan.

The KOF Swiss Economic Institute, ETH Zurich noted growth of 3.5% in healthcare costs for 2017. Claims in private health insurance rose by 0.5%, a much more moderate increase than overall inflation in the health insurance sector.

The significantly higher cost of insurance operations results primarily from higher acquisition costs, tax payments for provisions and various one-off effects impacting the operating expenses of individual health insurers.

Thanks to solid investment returns, the annual profit for the industry rose from CHF 388 million to CHF

Key figures of health insurance companies
(in CHF thousands)

	2017	2016	+/–
Booked gross premiums	8,129,407	7,831,133	3.8%
Booked gross premiums including ISA parts of health funds	9,809,126	9,447,368	3.8%
Claims paid out	5,546,837	5,518,288	0.5%
Costs for underwriting	1,566,457	1,460,984	7.2%
Taxes	156,308	214,647	–27.2%
Gains/losses from investments	576,036	353,477	63.0%
Annual profits	**560,384**	**388,222**	44.3%
Balance sheet total	**17,442,402**	**16,795,530**	3.9%
Investments	16,755,043	15,965,236	4.9%
Technical liabilities	10,990,083	10,493,577	4.7%
Equity (before profit allocation)	**3,836,849**	**3,563,752**	7.7%
Return on investments (in %)	**3.53%**	**2.26%**	+1.27 pp
Return on equity (in %)	**14.61%**	**10.89%**	+3.72 pp
SST solvency ratio (in %)	**266%**	**253%**	+13 pp
Tied assets coverage ratio (in %)	**135%**	**132%**	+3 pp

560 million. This resulted in a return on equity of 14.61%, which is higher than the average return by the other non-life insurers and the life insurance industry. With 266%, the SST solvency ratio is therefore in a very comfortable range.

Market share in the supplementary health insurance sector
The eight largest health insurers wrote almost 85% of the total premium volume. The figures include all premium income generated by the categories shown (including premiums for lines offered supplementary to health insurance). The most important change in market share affected Sanitas and was caused by its merger with Wincare.

Market shares in supplementary health insurance
(in CHF thousands)

	Premiums written 2017	Market share 2017	Premiums written 2016	Market share 2016
Helsana Supplementary Insurance Ltd	1,771,846	18.1%	1,747,527	18.5%
SWICA Healthcare Insurance Ltd	1,442,071	14.7%	1,367,267	14.5%
CSS	1,264,272	12.9%	1,192,644	12.6%
Visana	1,121,826	11.4%	1,071,622	11.3%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	931,672	9.5%	835,797	8.8%
Sanitas	766,259	7.8%	555,724	5.9%
Concordia	546,391	5.6%	524,219	5.5%
Assura	338,660	3.5%	334,039	3.5%
Eight largest insurance companies	**8,182,998**	**83.5%**	**7,628,839**	**80.6%**

Reinsurance companies

Key figures

Reinsurance companies under FINMA supervision experienced a slight downturn in business in 2017. After an unusually sharp rise of 26% in the previous year, gross premiums fell by 3.5% to CHF 49.3 billion. Annual profits fell by more than 70% to CHF 0.8 billion in the wake of claims resulting from a series of unprecedented natural catastrophes. Despite these adverse circumstances the solvency ratio for reinsurers rose by 6 percentage points to 223%.

Key figures of reinsurers
(in CHF thousands)

	2017	2016	+/–
Booked gross premiums	49,273,479	51,082,345	–3.5%
Claims paid out	18,078,934	18,606,632	–2.8%
Costs for the change in technical liabilities	13,244,929	8,401,278	57.7%
Costs for the change in other actuarial liabilities	–1,283,226	229,492	n/a
Costs for underwriting	13,684,048	13,305,625	2.8%
Taxes	400,436	560,271	–28.5%
Gains/losses from investments	4,023,827	2,317,491	73.6%
Annual profits	**840,576**	**2,922,553**	–71.2%
Balance sheet total	**174,781,945**	**157,783,828**	10.8%
Investments	93,691,027	92,295,977	1.5%
Insurance technical liabilities	104,009,630	95,741,237	8.6%
Equity (before profit allocation)	**26,644,732**	**29,836,382**	–10.7%
Return on investments (in %)	**4.45%**	**2.70%**	+1.75 pp
Return on equity (in %)	**3.15%**	**9.80%**	–6.65 pp
Net combined ratio, non-life (in %)	**125.0%**	**106.0%**	+19.0 pp
Benefit ratio, life (in %)	**70.0%**	**74.2%**	–4.2 pp
Solvency ratio SST (in %)	**223%**	**217%**	+6 pp

Reinsurance companies

In the reporting year, booked gross premiums fell by 3.5% to CHF 49.3 billion. The previous year saw extraordinary growth of 26% resulting in particular from very large one-off transactions.

The gross premiums of Swiss Re companies fell by around CHF 3 billion. The fact that Swiss Re Asia Ltd., which reported premium volumes of CHF 3.3 billion in the previous year, moved its domicile to Singapore as of 31 December 2017 had a significant part to play in this reduction. The gross premiums of the other professional reinsurers rose by 4.9% to CHF 22.1 billion, while the premium volumes of reinsurance captives rose by 3.5% to CHF 920 million.

The balance sheet total rose by 10.8% to CHF 174.8 billion on the back of higher technical liabilities due, for example, to the series of natural catastrophes which occurred in the reporting year. These unprecedented claims have clearly left their mark. Annual profits shrank by more than 70% to CHF 841 million, while the return on equity fell by 9.8% to 3.2%. Despite these significant loss events the solvency ratio rose from 217% to 223%.

Asset allocation

The total investment volume rose slightly over the year by CHF 1.4 billion (around 1.5%) to CHF 93.7 billion.

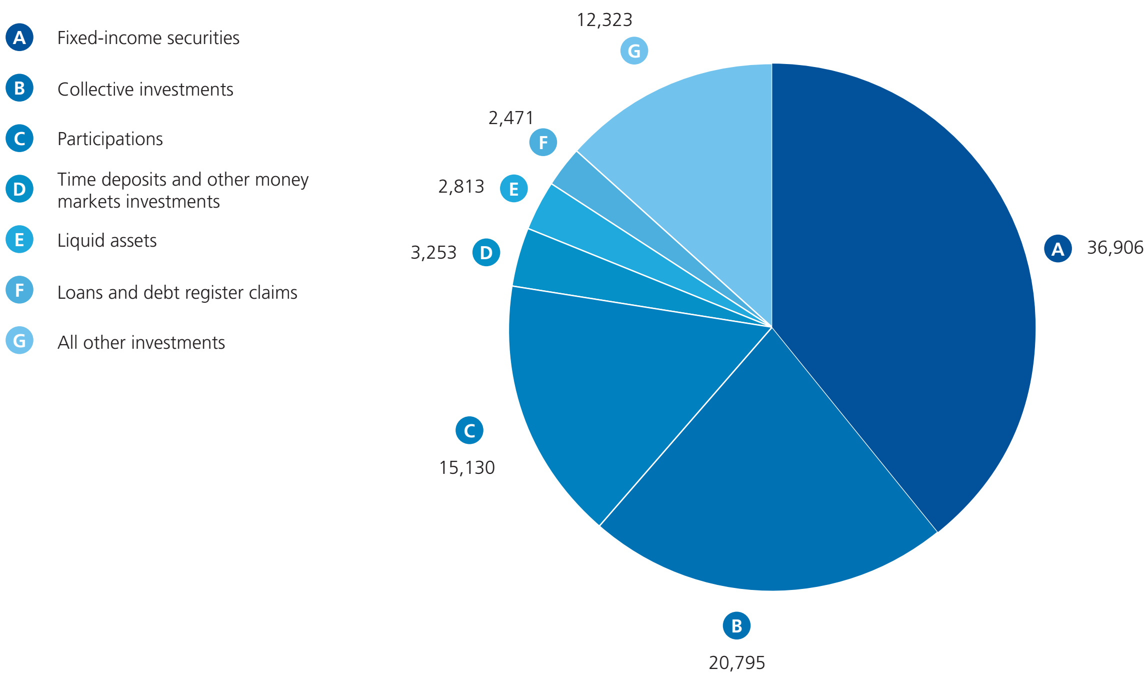
The asset classes saw a slight shift away from fixed-income securities to collective and other investments. Holdings of liquid assets also fell. With a weighting of 39%, however, fixed-income securities remained by far the most important asset class. With 54% government bonds, the composition of this asset class in terms of government bonds and corporate bonds remained practically unchanged.

As in the past, shareholdings were held almost exclusively by Swiss Re Group companies which function as holding companies in addition to their operational activities.

Asset allocation of reinsurers
(in CHF thousands)

	2017	2017	2016	2016
Real estate, buildings under construction and building land	76,820	0%	73,442	0%
Participations	15,130,328	16%	15,110,791	16%
Fixed-income securities	36,905,513	39%	39,989,895	43%
Loans and debt register claims	2,471,145	3%	2,394,697	3%
Mortgages	809,035	1%	807,872	1%
Equities and similar investments	1,662,523	2%	1,419,341	2%
Collective investments	20,794,616	22%	18,554,509	20%
Alternative investments	903,391	1%	879,372	1%
Credits from derivative financial instruments	1,719,480	2%	2,156,501	2%
Time deposits and other money markets investments	3,253,409	4%	2,594,730	3%
Policy loans	0	0%	0	0%
Other investments	7,151,800	7%	3,703,914	4%
Liquid assets	2,812,967	3%	4,610,913	5%
Total investments	**93,691,027**	**100%**	**92,295,977**	**100%**

Asset allocation of reinsurers 2017
(in CHF millions)



Premium trends

INet earned premiums fell marginally by 0.8% to CHF 41.5 billion.

There was only marginal change in reinsurance business involving short-tail risks, in which claims are usually made during the term of the policy or shortly after the policy has expired, and long-tail risks. By contrast, catastrophe exposure business fell sharply by 25%. Swiss Re Asia Ltd.'s change of domicile was the main cause for this reduction. Other contributing factors were lower premium rates and deliberate reductions in cover.

Despite the general trend towards increased business in this region, net premiums for the Asia/Pacific region fell back markedly. This trend was also substantially due to the absence of Swiss Re Asia Ltd. and changes to intra-group contracts.

New US tax regulations relating to the business of group companies in the US with group companies outside the US led to comprehensive changes to intra-group reinsurance contracts, especially high-volume quota share reinsurance. Available information suggests that a negative effect of around CHF 10 billion on premium volumes in Switzerland can therefore be expected in the 2018 financial year.

Premium trends

Premiums earned by reinsurers
(in CHF thousands)

	2017	2016	+/–	Percentage of total 2016
Short-tail	15,431,349	14,859,282	3.8%	37.1%
Long-tail	13,813,958	14,010,941	–1.4%	33.3%
Catastrophes	1,956,470	2,615,418	–25.2%	4.7%
Total non-life	**31,201,777**	**31,485,641**	**–0.9%**	**75.1%**
Life	10,320,595	10,382,567	–0.6%	24.9%
Total net premiums	**41,522,372**	**41,868,208**	**–0.8%**	**100%**
Asia/Pacific	4,868,010	11,200,450	–56.5%	11.7%
Europe	13,197,475	9,762,367	35.2%	31.8%
North America	21,913,633	19,129,840	14.6%	52.8%
Rest of the world	1,543,254	1,775,551	–13.1%	3.7%
Total net premiums	**41,522,372**	**41,868,208**	**–0.8%**	**100%**

Claims ratios

In 2017, the claims ratio in the non-life reinsurance sector rose by 16 percentage points to 77.3%. This was mainly due to record catastrophe claims. Both professional reinsurance companies and reinsurance captives recorded a significantly higher claims ratio.

In the case of natural catastrophes, the series of hurricanes in the US and the Caribbean (Harvey, Irma and Maria) had by far the biggest impact. They were followed by the most extensive wildfire damage in history, also in the US. If damage caused by human beings is included, total insured losses are estimated at USD 144 billion, the greatest total loss in history (source: Swiss Re Institute).

Claims ratios in non-life reinsurance business

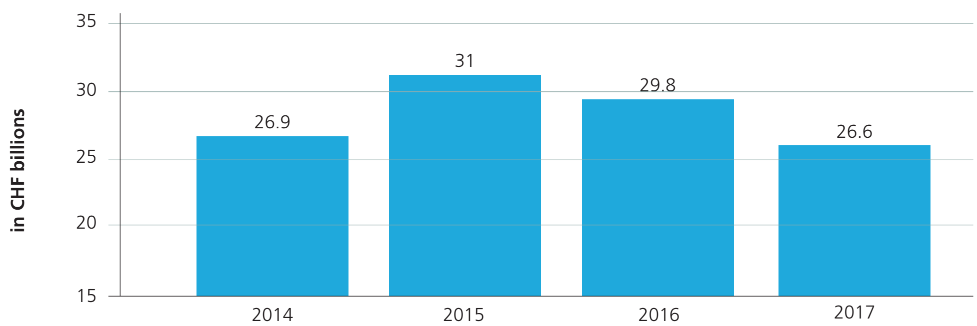
	2017	2016	+/–
Short-tail	81.7%	59.2%	+22.5 pp
Long-tail	71.2%	65.6%	+5.6 pp
Catastrophes	86.2%	50.3%	+35.9 pp
Total	**77.3%**	**61.3%**	**+16.0 pp**

Changes in equity capital

Statutory equity capital fell by 11%, from CHF 29.8 billion to CHF 26.6 billion, compared with the previous year. Reported net profits of CHF 0.8 billion were more than offset by dividends paid out in 2017. For Swiss Re alone the difference was CHF 1.4 billion. The fact that Swiss Re Asia Ltd. changed its domicile as of 31 December 2017 was also a significant factor. At the end of 2016 the equity capital of this company was CHF 1.3 billion.

Compared with the previous year, equity capital at the other professional reinsurance companies fell from CHF 12.0 billion to CHF 11.4 billion, while total equity capital at reinsurance captives remained stable at CHF 2.6 billion.

Equity capital reinsurers



Definition of terms

Combined ratio
The combined ratio is a composite key figure that expresses the ratio of gross claims to operating costs. The insurance industry uses this ratio to evaluate the profitability of its portfolios. The ratio also reflects the extent to which gross claims expenditures and operating costs are covered on own account through earned gross premiums.

Expense ratio
The expense ratio is a key figure that non-life insurers use to indicate the amount in earned gross premiums required for managing the insurance operations. The expense ratio is calculated by dividing the earned gross premiums by the operating costs. This key figure is used to evaluate the efficiency of established companies, whereby the value rate is of less indicative than the actual over time.

Loss ratio
The loss ratio, or gross claims ratio, is a key figure that the non-life insurance sector uses to indicate the extent to which contribution income covers the insurance benefits that are paid. Calculating the loss ratio means dividing the paid for and reserved gross claims by the earned gross premiums. The gross claims ratio reflects the effect of claims on the insurance company, the adequacy of premiums, and the appropriateness of the underwriting policy.

Return on equity
Return on equity is a key figure that measures the profitability of equity capital. It is calculated based on the ratio of annual profits to equity capital. This simple and precise indicator makes it possible to compare the profitability of different companies. On the other hand, the after-tax result is generally not paid out as dividends to investors but channelled into the surplus reserve.

Return on investments
Return on investments calculates as the profit or loss from an investment divided by the average amount of investments. Return on investments reflects the performance of the investment activities of insurance companies. In the calculation, the numerator is the total direct income, realised income/losses, unrealised gains losses, and the investment expenditures. The denominator is the average amount of the investments (including liabilities from derivatives and excluding investments on third-party account).

SST solvency ratio
The Swiss Solvency Test (SST) is a modern supervisory tool which applies risk-based principles and uses a total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Changes to these balance sheet positions are then modelled over a one-year period in order to arrive at the total required capital. The solvency ratio contrasts the available capital (risk-bearing capital) against the required capital (target capital). The Swiss branch offices of foreign insurance companies and supplementary health insurers (in the supplementary health insurance sector) that are supervised by FINMA are exempt from SST obligations, with the exception of SWICA Healthcare.

Tied assets

Insurance companies are legally obliged to guarantee entitlements arising from insurance contracts by establishing tied assets. Thanks to this rule, policyholders have a liability substrate which ensures that their claims under insurance contracts will be satisfied before the claims of all other creditors if an insurance company becomes insolvent. All insurance companies, with the exception of reinsurers, must observe special rules when investing tied assets. Tied assets specify not only the eligible asset classes but also the requirements to be met by insurance companies in terms of their investment organisation and processes. The rules contain precisely formulated restrictions for riskier asset classes.

Abbreviations

GDP Gross domestic product
IBNR Incurred but not reported: provisions for damage that already occurred but has not been reported to the insurer.
ICA Swiss Federal Act of 2 April 1908 on Insurance Contracts (Insurance Contract Act; SR 221.229.1)
ISA Swiss Federal Act of 17 December 2004 on the Supervision of Insurance Companies (Insurance Supervision Act; SR 961.01)
KOF Swiss Economic Institute, ETH Zurich
SST Swiss Solvency Test
UVG Swiss Federal Act of 20 March 1981 on Accident Insurance (Unfallversicherungsgesetz, SR 382.20)

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