

Directives

of Federal Office of Private Insurance FOPI

31 December 2006

13.2/2006 - Reporting on the Structure of Insurance Groups and Insurance Conglomerates

Legal basis: Article 68 ISA
Article 76 ISA
Article 192 SO
Article 204 SO
Article 665a CO

Decision of: 21 November 2006

Entry into force: 31 December 2006



Schweizerische Eidgenossenschaft
Confédération suisse
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Swiss Confederation

Swiss Federal Department of Finance FDF
Federal Office of Private Insurance FOPI

1 Background

This Directive describes the minimum reporting requirements with respect to the structure of the insurance groups (groups) and insurance conglomerates (conglomerates) subject to supervision.

The Directive is based on articles 192 and 204 SO. According to article 192, paragraph 1 and article 204 SO, groups/conglomerates must annually submit a complete group organizational chart to the supervisory authority. On request of the supervisory authority, the organizational chart must be submitted more frequently.

Pursuant to article 192, paragraph 2 and article 204 SO, the creation, acquisition, or sale (including merger or liquidation) of significant holdings by one of the companies in the group or conglomerate must be notified to the supervisory authority. The notification must be submitted at the latest upon finalization of the contract.

Article 192, paragraph 3 and article 204 SO grant the supervisory authority the possibility to define what a significant holding means. The supervisory authority shall pay due regard to the size and complexity of the group or conglomerate.

2 Purpose

The purpose of this notification requirement is to provide comprehensive and timely information to the supervisory authority on the structure of the group/conglomerate. In particular, the supervisory authority must be informed of the scope of and changes to the material and geographical areas of activity and the holdings within the group/conglomerate.

3 Scope

This Directive applies to all groups/conglomerates that have been placed under supervision by means of an order pursuant to the following legal foundations:

- insurance groups pursuant to article 65 ISA;
- insurance conglomerates pursuant to article 73 ISA.

4 Terminology

4.1 Insurance group and insurance conglomerate

Both terms are described in detail in article 64 ISA and article 72 ISA, respectively.

- Two or more undertakings constitute an economic unit or
- are otherwise linked to each other through influence or control, and
- at least one of which is an insurance undertaking, and the group/conglomerate as a whole operates primarily in the insurance sector.

Influence or control over an undertaking exists if there is either a majority of votes or consolidation under uniform management. "Consolidation under uniform management" includes all holdings that are not held as capital investments.

4.2 Significant holdings

According to article 665a, paragraph 2 CO, holdings are shares in the capital of other enterprises that are held with the intention of a lasting investment and that convey significant influence. The holdings of a company in a group or conglomerate in another enterprise are deemed significant if they exceed the thresholds laid down by the supervisory authority (see point 5).

4.3 Group organizational chart

A group organizational chart is a table and graphical representation of all units of a group/conglomerate. In a clear and concise form, the hierarchical and functional structure should be listed and visualized.

5 Principles and thresholds for significant holdings

The creation, acquisition, or sale (including merger or liquidation) of a significant holding by one of the companies of the group/conglomerate must be notified to the supervisory authority.

When assessing the significance of a holding for the group/conglomerate, the following principles must be observed:

- The amount of the acquired/relinquished net assets is CHF 100 million or more. Net assets are total assets minus short-term and long-term liabilities and minority shares.
- The ratio of the net assets of the holding to the reported equity capital of the group/conglomerate is 1% or more.

Additionally, the following criteria apply:

- **Public interest**
A change to a significant holding (purchase, sale, liquidation, merger, etc.) is often published by the group/conglomerate in a press release. Accordingly, group/conglomerate believes the change to be of public interest, whether nationally or internationally. Changes to the structure that the group/conglomerate believes to be of public interest must be communicated to the supervisory authority prior to publication.
- **Change to the circle of shareholders of the group/conglomerate**
A direct or indirect holding by natural or legal persons in the parent undertaking of the group/conglomerate that meets the following criteria must be communicated to the supervisory authority:
 - Due to a change, the thresholds of 5, 10, 20, 33 1/3, 50, or 66 2/3% of the voting rights of the parent undertaking are reached or crossed in either direction,
 - A contractual agreement exists, according to which a natural or legal person receives or can exercise significant influence on the parent undertaking of the group/conglomerate.

6 Minimum requirements for reporting

6.1 Group organizational chart

6.1.1 Table

The table must contain at least the following information:

- Name of the unit of the group/conglomerate;
- Address including country;
- Function within the group/conglomerate:
life insurance, non-life insurance, reinsurance company; holding company; other (to be specified);
- Responsible supervisory authority (if subject to supervision);
- Companies that are components of groups but do not belong to the scope of consolidation according to the accounting method used. The reasons for non-consolidation must be indicated;
- Insurance conglomerates must also indicate whether the company operates in the insurance or finance sector according to article 205 SO.

6.1.2 Graphical representation

The graphical representation consists of an overview diagram and detailed illustrations of the significant holdings and subgroups.

At the top of the overview diagram is the company that plays the role of strategic holding company for the group. Under this, the significant holdings and subgroups must be represented, including holdings in %.

The detailed representation shows the holdings and subgroups by country or region, including the associated legal entities, again with an indication of the holdings in %.

The graphical representation and the table must be submitted on paper; on request, submission in electronic form is also possible.

6.2 Significant holdings

The creation, acquisition, or sale of a significant holding by one of the companies in the group must be reported by means of the following information:

- Name of the unit of the group/conglomerate;
- Address including country;
- Parent undertaking within the group/conglomerate;
- Purpose or function of the company within the group/conglomerate;
- Responsible supervisory authority (if subject to supervision);
- Holding in %;
- Value of the net assets.

This information must always be reported on paper; on request, additional submission in electronic form is possible. Changes to a significant holding pursuant to the principle above that could be of public interest must be notified in advance by telephone.

7 Submission deadlines

7.1 First notification

7.1.1 Group organizational chart

An up-to-date listing of the group/conglomerate structure must be submitted for the first time in accordance with the requirements set out in the order placing the group or conglomerate under supervision.

7.1.2 Significant holdings

The notification requirement enters into force simultaneously with placement under group or conglomerate supervision.

Changes to a significant holding must be indicated at the latest upon conclusion of the contract. The supervisory authority must be informed prior to the media and shareholders about the altered structure.

7.1.3 Changes to the circle of shareholders

The notification requirement enters into force simultaneously with placement under group or conglomerate supervision.

Direct or indirect holdings and changes affecting the thresholds set out above must be notified to the supervisory authority immediately.

7.2 Periodic notifications

Groups and conglomerates must submit their up-to-date group organizational chart once a year, within 3 months of year-end closing.

The legislative power has granted the supervisory authority the possibility of requesting more frequent submissions than annually. Reasons for this measure may exist in particular if:

- the group/conglomerate is undergoing an accelerated phase of change, so that its structure changes rapidly;
- the creation, acquisition, or sale of significant holdings significantly influences the structure;
- the supervisory authority requires the current status of the structure in order to assess the overall solvency situation of the group/conglomerate at a particular point in time.

Federal Office of Private Insurance

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