

## Press release

# FINMA launches consultation on partial revision of “Health insurance under the ICA” Circular

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**The Swiss Financial Market Supervisory Authority FINMA is integrating its existing and established supervisory practice on supplementary health insurance and specifically the protection of insured persons from abuse into its Circular on this topic. It will conduct a consultation on this partial revision up to 3 November 2020.**

Protecting insured persons from abuse in supplementary health insurance is particularly important because older people or those with chronic conditions have great difficulty switching their insurance cover and competition in this segment is therefore limited. In its judgement of 25 November 2019 the Federal Supreme Court confirmed part of FINMA's approach to combating abuse in the supplementary health insurance sector. This has led FINMA to integrate its existing practice on [supplementary health insurance supervision](#) concerning the protection of insured persons from significant unequal treatment and abusive profit margins into its Circular 2010/03 “Health insurance under the ICA”. FINMA has already carried out a pre-consultation and an official consultation among affected and interested parties. It is now launching a public consultation, which will go on until 3 November 2020.

### **Preventing significant unequal treatment and abusive profit margins**

In its judgement, the Federal Supreme Court confirmed that unequal treatment of insured persons is only permissible to a limited extent. In particular, insured persons are subjected to unequal treatment due to actuarially unjustified or excessive discounts on tariffs, which mean that other insured persons with higher premiums finance the reductions. To prevent this, FINMA is limiting the premium rebates that are not justifiable on actuarial grounds to a maximum of ten per cent, provided that their total volume remains low.

In addition, excessive profit margins for a supplementary insurance product are in principle regarded as being abusive. FINMA thus confirms its current practice aimed at protecting insured persons in the Circular: new tariffs or tariff changes that result in profit margins of over ten per cent will not be approved. If the profit margin for an existing tariff exceeds fifteen per cent, the institution must lower the tariff and re-submit this to FINMA for approval.

### **Protection in closed client bases and greater transparency**

Furthermore, according to judicial practice, insured persons in closed client bases must be given special protection. This is because if no new insured persons are accepted for a product (closed client base), the costs for the remaining insured persons rise due to the increasing age-related risks. To protect these insured persons from excessive premium increases, FINMA sets out in the Circular that the insurance company may pass on the exogenous inflation to the insured persons as a maximum.

FINMA has also established that policyholders are not always adequately informed about the premium development for their products. It therefore sets out in the Circular that the effects of changing age category on the future premium must be stated clearly in the contractual documents.

[FINMA's role in supervising companies offering supplementary health insurance](#)