

Press release

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Embargo:

Insurance circulars revised: FINMA tightens insurance regulations

The Swiss Financial Market Supervisory Authority FINMA is publishing a number of new or revised FINMA circulars on insurance. The adjustments made by FINMA to its implementing provisions reflect the revision of the Federal Council's Insurance Supervision Ordinance. FINMA has used this occasion to tighten regulations on insurance.

Following the consultation held earlier this year, FINMA is publishing the definitive versions of its insurance circulars which it has adjusted in line with the Federal Council's revised Insurance Supervision Ordinance. In addition, FINMA has substantially streamlined its regulations: even with its two new circulars, the overall volume of regulation has been reduced by approximately one third. The circulars will enter into force on 1 January 2016.

New ORSA circular and standardised disclosure

The new Circular 2016/3 "Own Risk and Solvency Assessment" (ORSA) sets out the principles of forward-looking self-assessment of risk management and solvency for insurers, while the new Circular 2016/2 "Disclosure" regulates standardised disclosure to provide more comparable and more transparent information to protect policyholders.

New investment opportunities

Alongside these innovations, FINMA has considerably shortened Circular 2016/5 "Investment guidelines – insurers", as well as extending the range of investment opportunities. For instance, as stated in the Circular, insurers can now invest tied assets in private debt, senior secured loans, commodities and even gold. Infrastructure investments are also included in the circular.

Circulars consolidated

FINMA has also consolidated four existing circulars on group supervision and the guidelines on "Insurance companies under group and conglomerate supervision" into Circular 2016/4 "Insurance groups and conglomerates". Two current circulars have similarly been combined in Circular 2016/6 "Life insurance", which focuses in particular on pricing aspects, requirements for biometric risk, pricing basis and models, as well as the technical interest rate.

Consultation received positively – some isolated adjustments

Overall, the consultation respondents received the revision proposals positively and supported the reform. FINMA was able to take account of some specific details, for instance, relaxing the disclosure provisions for Swiss branches of foreign insurers. The threshold for relieving smaller insurers not active in bulk business from disclosure requirements (principle of proportionality) was also raised. In addition, insurers are no longer required to have their financial situation report assessed by an external auditor.

Another innovation by FINMA has been the less detailed formulation of the provisions set out in the investment guidelines which are now based more on principles, while also shortening the provisions on the investment of untied assets. In addition to their own estimations of creditworthiness, insurers may also take ratings from uncertified rating providers (usually banks) for a transition period of two years.

Finally, FINMA has raised the threshold for applying the circular on “Remuneration systems” from CHF 2 to CHF 15 billion in equity capital. This means that only the two big insurance groups must implement the provisions set out in the circular.

Revision and the international arena

FINMA circulars required revision to facilitate implementation of the Insurance Supervision Ordinance (ISO), which was adjusted by the Federal Council and came into force on 1 July 2015. The revised ISO and both new FINMA circulars were an important prerequisite for the EU Commission to recognise the Swiss insurance supervisory system as equivalent with the European Solvency II Directive ([see press release](#)). FINMA’s own Insurance Ordinance, which also underwent revision, was already published on 17 November 2015 ([see press release](#)).

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