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

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FINMA and supplementary health insurance

FINMA is responsible for supervising health insurers offering supplementary health insurance. The supervisory authority's first priority is to check whether the products offered are financially sound, as well as ensuring that policyholders are protected from abusive insurance practices. In addition, FINMA supervision focuses on the financial base, risk management and corporate governance of supplementary health insurers.

The health care system in Switzerland provides for the proper care of all persons resident in the country in the event of illness, accident or disability. This is achieved primarily by coverage provided by the compulsory basic health insurance, which is supervised by the Federal Office of Public Health. Any additional benefits or protection against risks can be covered by taking out supplementary health insurance. This health insurance line is supervised by FINMA.

FINMA approves tariffs and coverage

Before an insurance product is launched on the market, health insurers offering supplementary health insurance must submit detailed information to FINMA. The supervisory authority checks if the details are correct and approves the products if the statutory requirements have been met. FINMA's approval includes the terms and conditions, and the amount charged for premiums. At all times, FINMA must authorise any changes made by health insurers offering supplementary health insurance to their supplementary health insurance products.

Currently, there are almost 600 products on the supplementary health insurance market. They differ a great deal in terms of the amount and type of coverage, ranging from a straightforward dental care insurance to daily benefits insurance in the event of sick leave and covering private hospital room costs.

It is at the discretion of health insurers offering supplementary health insurance as to how they want to design their products. They themselves can decide, as they deem fit, on the services they want to offer, the duration of contracts and the tariffs. No restrictions are placed upon them when it comes to concluding contracts and they can also decide to which customers they want to offer their products. Supplementary health insurance is subject to civil law. This means that in contrast to basic health insurance which everyone is obliged to have, health insurers offering supplementary health insurance can, at their own discretion and without giving reasons, refuse customers who want to take out supplementary health insurance.

As of 1 January 2017, there were 23 private health insurance companies in Switzerland that only provide supplementary health insurance compared with 13 general health insurers that offer basic health insurance as well as supplementary health insurance. Premium income from supplementary health insurance amounted to CHF 7.10bn, while that from basic health insurance totalled CHF 27bn (as per 31 January 2016).

Principles involved in checking premiums

As is the case in all other insurance branches, FINMA ensures, first and foremost, that supplementary health insurance companies are solvent. The supervisory authority also controls that these institutions can at all times provide the services set out in their insurance contracts. FINMA's objective here is to make every effort to protect policyholders against the consequences of insolvency. This also requires the governing bodies of health insurance companies to correctly assess any potential risks in their business activities and to comply with the proper business conduct requirements.

FINMA approves proposed supplementary health insurance tariffs provided that they guarantee the solvency of the individual health insurance companies, while also protecting policyholders against abusive practices. The onus is on health insurers to take timely measures that may be necessary with regard to tariffs. Insurers must always be able to honour their obligations, including those that are long term. For instance, adequate reserves must be built up for longevity risks; other risks such as price increases in healthcare must also be reliably estimated. Premiums are to be fixed based on these criteria and may include a risk-adjusted return.

FINMA approves supplementary health insurance tariffs if it is of the opinion that the assumptions made by the health insurers are plausible, and that the premiums are neither abusively high nor represent a threat to solvency. FINMA may only intervene if it can be demonstrated that the premiums requiring approval no longer comply with the existing legal framework.

Abuse may occur, for instance, if, by selling a certain insurance product, health insurers make too high a long-term profit that is not risk-adjusted. As elderly and chronically ill patients are not in a position to change their health insurance coverage, competition is restricted in this market segment. Protection from abuse is therefore particularly important in this area.

Protection against unequal treatment

In supplementary health insurance, discounts on current premiums may only be offered if they are justified by lower costs. FINMA takes action when it detects impermissible unequal treatment of customers in relation to tariffs and discounts, thus preventing policyholders from having to pay insurance for those customers who were granted unjustified discounts. FINMA also checks that the right to transfer to another open (on the market) insurance product is effectively granted for closed (off the market) insurance portfolios. Currently, regulation allows policyholders to switch from discontinued products to other insurance solutions, which are still actively underwritten and have a better mix of risks, enabling them to benefit from lower premiums.

FINMA approves supplementary health insurance tariffs if it is of the opinion that the assumptions made by the health insurers are plausible, and that the premiums are neither abusively high nor represent a threat to solvency.

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