

## **Small Insurer Symposium 3 April 2025**

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# **FINMA's strategic goals, core principles for insurance supervision**

Ladies and gentlemen

Today marks the third Symposium for smaller and mid-sized insurance companies. For FINMA, this is a very important symposium, because it deals with topics that are of key importance to Switzerland's financial centre as a whole.

In recent times and due to various developments, the media spotlight in terms of the financial centre, regulation and supervisory issues has been heavily focused on banks. Which is why I welcome today's opportunity all the more, as an occasion to highlight that FINMA's activities encompass far more than banking supervision. We are an integrated supervisory authority and work intensively towards our goals in all areas of supervision, of which insurance – in particular – is one.

And let me be clear: in its activities, the supervisory approach FINMA applies is risk-oriented and proportionate at all times – regardless of which institution is involved, from large, systemically important institutions to members of the small banks and small insurers regimes. In other words, the smaller the institution and the lower the risks, the greater the degree of relief accorded. Proportionality has its limits, however. When it comes to protecting policyholders, market conduct and transparency in distribution in particular, FINMA takes decisive action in the event of any violations so as to achieve its objectives.

And speaking of objectives, let me give you an overview of FINMA's strategic goals. These are the goals FINMA has set for the period 2025–2028.

Before I go into the details of our new strategy, however, I would like to remind you of our core task, which is to protect financial market clients and ensure the proper functioning of Switzerland's financial centre.

In a country such as Switzerland – where the insurance sector plays such an important role and provides indispensable services that are so closely interwoven with the issues of financial security, the protection of health and of families, and legal certainty – we too are committed to ensuring the best possible protection for Switzerland's policyholders.

Let me set out for you now the main challenges and opportunities that will shape FINMA's strategy in the years ahead, and I will look, too, at the impact this will have in the insurance sector:



## 1. Current developments and regulation

In recent years, the Swiss financial market has been exposed to inflationary pressures, rapid increases in nominal interest rates and heightened geopolitical tensions. These factors have led to increased market volatility, economic uncertainty and – not least – serious crises. In 2024, FINMA intensified its supervision and cooperation with other national and international authorities in order to learn from crises and prevent future risks.

## 2. Technology and innovation

The rapid progress of financial technologies offers significant opportunities, but also harbours new risks. FINMA integrates this progress into its supervision, which is open to innovation in order to maintain a high level of certainty and trust in the use of new technologies in the financial sector.

## 3. Credit risk and conduct of supervised institutions

The lending business, particularly in connection with mortgages, continues to represent a significant cluster risk for the Swiss economy. FINMA has identified unsustainable lending criteria at some institutions and an overestimation of borrowers' financial capacity.

## 4. Money laundering and sanctions

The risk of money laundering remains high. FINMA ensures that the financial institutions comply strictly with anti-money laundering obligations and take appropriate organisational measures to comply with sanctions.

## 5. Cyber risks and outsourcing

Cyber risks remain one of the biggest operational risks for financial institutions.

In the area of IT outsourcing in particular, the trend towards more intensive outsourcing increases the concentration risks, given the dependency on a small number of outsourcing partners, and these risks could threaten the stability of the Swiss financial centre.

As you can see, the particular challenges facing FINMA remain substantial, as do the financial and operational risks for the institutions. We have derived four strategic goals from these insights. These goals relate to the elements of **supervision, resilience, framework conditions** and **organisation**.

With regard to “**preventive supervision and integrity**” goal, I wish to emphasise that, through its supervisory activities, FINMA strengthens trust in Switzerland as a financial centre. It is constantly developing its supervisory instruments, procedures and analyses so that it can take preventive action within the framework of supervisory law and rectify irregularities as quickly as possible.

“**Financial and operational resilience**” is FINMA’s second strategic goal. In other words, within the framework of our supervisory activities we will continue to place a strong focus on the financial resilience of those we supervise. In this, we will pay particular attention to how supervised institutions deal with the issue of the adequacy of capital and liquidity buffers for market risks, credit risks, liquidity risks and actuarial risks. This strategic goal is particularly relevant for the insurance sector.

The supervision of institutions' operational resilience focuses on the risks associated with the outsourcing of services, the risk of heavy dependence on a single service provider (concentration) and the handling of cyber risks.

Over recent years, technological advances, the development of cloud computing, complexity and the skills shortage have further fuelled the increase in the outsourcing of IT services. Even insurance companies that have so far run their own IT operations are increasingly outsourcing IT infrastructures – hence the foundation for many business-critical processes – to third parties. And it is a fact that one-third of the cyberattacks on financial institutions reported to FINMA take place via third-party companies.

FINMA set out rules for handling outsourcing risks in the form of a circular, which also details FINMA's supervisory practice. This circular, initially valid for banks only, now also covers outsourcing for insurance companies and other financial institutions. It ensures that FINMA's supervision is as uniform as possible across all institutions, despite the different legal bases in places.

In respect of the third strategic goal – **“framework conditions”** – FINMA actively leverages its expertise in shaping the foundation for financial market regulation.

In doing so, it advocates at all levels for framework conditions that ensure effective supervision and early intervention at the supervised institutions.

The fourth strategic goal has been defined as **“Organisation”**. FINMA is continuously increasing its effectiveness and efficiency as a supervisory authority. This involves organising itself efficiently, utilising internal synergies, developing on a sustainable basis and consistently advancing its own digital transformation.

So how do these core points concern you specifically as representatives of smaller and mid-sized insurance companies?

The aim of the partial revision of the Insurance Supervision Act (ISA) was to create a differentiated regulatory and supervisory framework that strengthens the Swiss insurance sector's ability to compete while at the same time improving the protection for clients.

Since the partially amended ISA entered into force on 1 January 2024, supervision is even more heavily focused on policyholders' need for protection. Consequently, we have introduced a stronger emphasis on the client protection element of supervision. Our next speaker, Birgit Rutishauser, will talk to you about this in greater detail. This has led to some organisational changes at FINMA. We have grouped small and mid-sized insurance companies together with industrial insurers and reinsurers in one organisational unit that will also incorporate the supervision of insurance intermediaries.

This unit will specialise in the monitoring of large exposures on a permanent basis. This requires good instruments and analytical abilities, so as to extract meaningful conclusions about the health of your institutions from large data volumes in a short space of time. Here, we focus heavily on data-based

parameters that flow into our rating system. This also affects the exchanges with your institutions, as well as the lower frequency of data collection and reporting.

This approach is already incorporated into the circular and the structuring of surveys, with the result that the information SME insurers have to submit to FINMA is less comprehensive. We will hear from Birgit Rutishauser what the further development will look like and what relief is planned for you. Whether within the context of our small insurers regime, the scope and frequency of surveys, or through the systematic check of further potential relief: we continuously endeavour to ensure the proportionality of all regulatory requirements.

What happens, though, if shortcomings, threats to solvency or even abuse are ascertained at SME insurers? For such cases, we have also established within the organisational unit targeted specialists who can react effectively and consistently should the need arise. It is thus also possible to plan and carry out on-site reviews within a matter of days.

Let me turn now to the final part of my speech.

As you will have seen in the media, FINMA has adapted its organisational structure with effect from 1 April 2025.

The most significant change is the creation of a new cross-divisional function for “Integrated Risk Expertise”. The new structure will strengthen integration throughout FINMA, develop expertise in terms of financial and non-financial risks and support more intensified, direct supervision, in particular by allowing us to carry out more of our own on-site supervisory reviews.

The SME Insurance Companies supervisory unit will benefit significantly from being able – where necessary – to draw upon the resources of this key centre of competence for risk management and large-scale supervisory reviews on site. In addition, the Supervision sections itself will be strengthened and thus able to carry out investigations and early intervention rapidly and more efficient.

With the new organisational structure and the future instruments, FINMA will be an even more effective financial market supervisory authority. And let me be clear:

**→ Our goal is not overregulation, but supervision that is more effective and offers even more in the way of preventive supervision.**

To illustrate what I mean by this, let us take the concept of “early intervention” as an example:

If FINMA ascertains that a weak risk culture at one of its supervised institutions is resulting in a high level of risk, effective intervention early on allows the issues to be resolved using relatively low-key steps. In other words, without long and drawn-out enforcement proceedings that weigh on the institutions, or liquidation as the measure of last resort.

With the new organisation, we are clearing a path for the use of new supervisory instruments. The new structure supports our goal of preventive supervision with maximum effect. Risk-based early

intervention – or, put differently, tackling problems in corporate governance and risk management earlier and more effectively before they take on greater proportions for the institution and in terms of the reaction of the supervisory authority – an integrated, joined-up profile, intensive and direct supervision, and an efficient organisational structure: these are essential prerequisites for our joint success.

Ladies and gentlemen, I hope you enjoy today's event. And if it gives you the opportunity to network and exchange views on interesting topics, then our objective will have been met. The Symposium for smaller and mid-sized insurance companies is very valuable for us as FINMA, too, and we look forward to a successful day ahead with you here today. I wish to thank all the speakers for their commitment, and thank you, ladies and gentlemen, for your attention.