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

Insurance market report 2016
Direct insurers

Foreword

This report provides an overview of the Swiss direct insurance market in 2016. The first section sets out information about the total market. Sections two and three are devoted in greater detail to the life and non-life sectors. Apart from the number of institutions by sector, data on reinsurance companies, whose reporting date to FINMA is 30 June, are not included in this version of the report. As every year, an updated version of the report will be published at the beginning of September.

The figures presented in the report have been prepared on a statutory basis; any changes in the values of assets and liabilities generally do not correspond to market value adjustments. Most asset classes are shown at historical cost, e.g. equities are shown at their lowest historical values based on the lower of cost or market rule. Bonds are shown at amortised cost, which means the carrying values are not sensitive to interest rates. On the liabilities side, technical provisions for life insurers are discounted with technical interest rates and not with the prevailing market yield curve. Technical provisions for non-life insurers are generally undiscounted, while accident insurance benefits (UVG) have been specifically excluded.

Aggregated data on balance sheets, income statements and the Swiss Solvency Test (SST) contain only the values for solo insurance companies subject to FINMA supervision. Data on tied assets and premiums also include figures for FINMA-supervised Swiss branches of foreign insurance companies and general health insurance companies in the supplementary health insurance sector.

Data reported to FINMA by the insurance companies are included in this report. FINMA does not, however, guarantee the accuracy of the figures.

Contents

Supervised insurance companies and sectors

Supervised insurance companies and sectors

	2016	2015
Life insurers, including – insurance companies domiciled in Switzerland – branches of foreign insurance companies	19 16 3	20 17 3
Non-life insurers, including – insurance companies domiciled in Switzerland (incl. 21 supplementary health insurance companies [2015: 22]) – branches of foreign insurance companies (incl. 2 supplementary health insurance providers [2015: 1])	120 74 46	122 76 46
Reinsurers (total)	55	59
Reinsurers	30	30
Reinsurance captives	25	29
General health insurance companies offering supplementary health cover	13	13
Total number of supervised insurance companies and general health insurance companies	207	214
Insurance groups and conglomerates	6	6

Total market

Key figures

Swiss direct insurance companies achieved aggregate annual profits of CHF 8.1 billion in 2016, which is CHF 1.4 billion or 21% more than in the previous year. These results again reached levels last seen in 2013 and 2014.

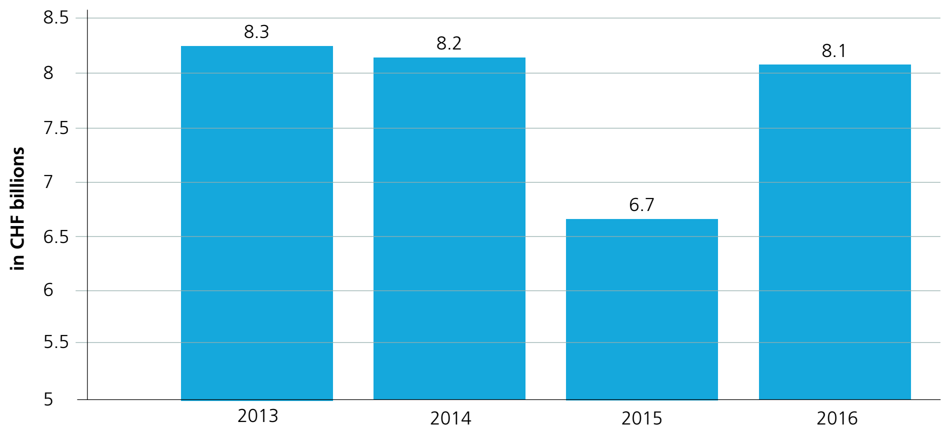
Compared with the previous year, the equity capital base increased slightly by 2.4%, and the return on equity capital came to 14.63%, an increase of 2.25%. The cover ratio of tied assets remained stable in 2016. The increase in the solvency ratio of the Swiss Solvency Test (SST) can be attributed to a change in the calculation method. Under the old method, the aggregate solvency ratio would have been 174%, a stable figure when compared with that of the previous year.

Key figures of total market
(in CHF thousands)

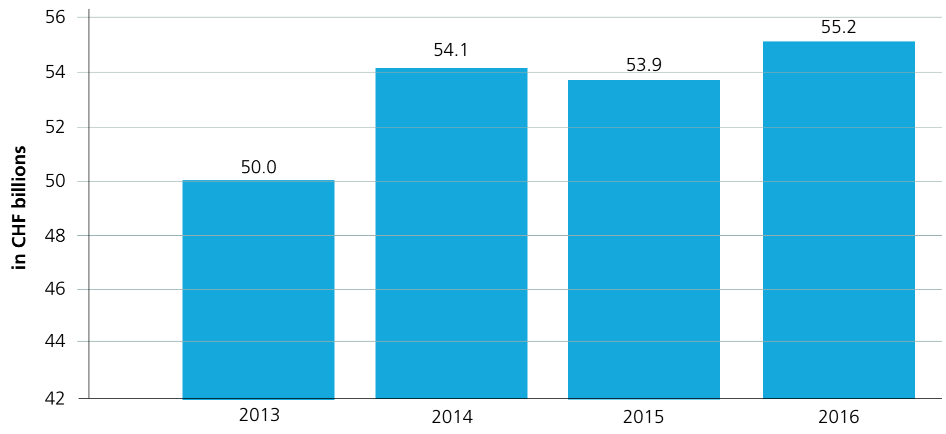
	2016	2015	+/–
Booked gross premiums	80,710,323	83,599,096	–3.5%
Claims paid out	56,297,837	55,502,048	1.4%
Costs for underwriting	11,773,356	11,918,794	–1.2%
Taxes	962,385	909,688	5.8%
Gains/losses from investments	15,520,534	14,761,846	5.1%
Annual profits	**8,081,836**	**6,679,604**	**21.0%**
Balance sheet total	**516,747,472**	**506,253,719**	2.1%
Investments	487,006,209	477,310,097	2.0%
Technical liabilities	386,395,518	380,612,342	1.5%
Equity (before profit allocation)	**55,228,283**	**53,939,578**	**2.4%**
Return on investments (in %)	**3.38%**	**3.26%**	+0.12 pp
Return on equity (in %)	**14.63%**	**12.38%**	+2.25 pp
SST solvency ratio (in %)	**194%**	**172%**	+22 pp
Tied assets coverage ratio (in %)	**110%**	**110%**	–

Total market

Annual profits total market



Equity capital total market



Total market

Investments

The following section provides information about total assets and the return on investments of total assets as reported by Swiss direct insurance companies in 2016. It also gives an overview of the allocation of tied assets.

Total assets invested

Total investments by Swiss direct insurance companies increased by 2% in 2016 and amounted to CHF 487 billion at the end of the year. Life insurance companies grew by 2.3%, non-life insurance companies by 1.5%.

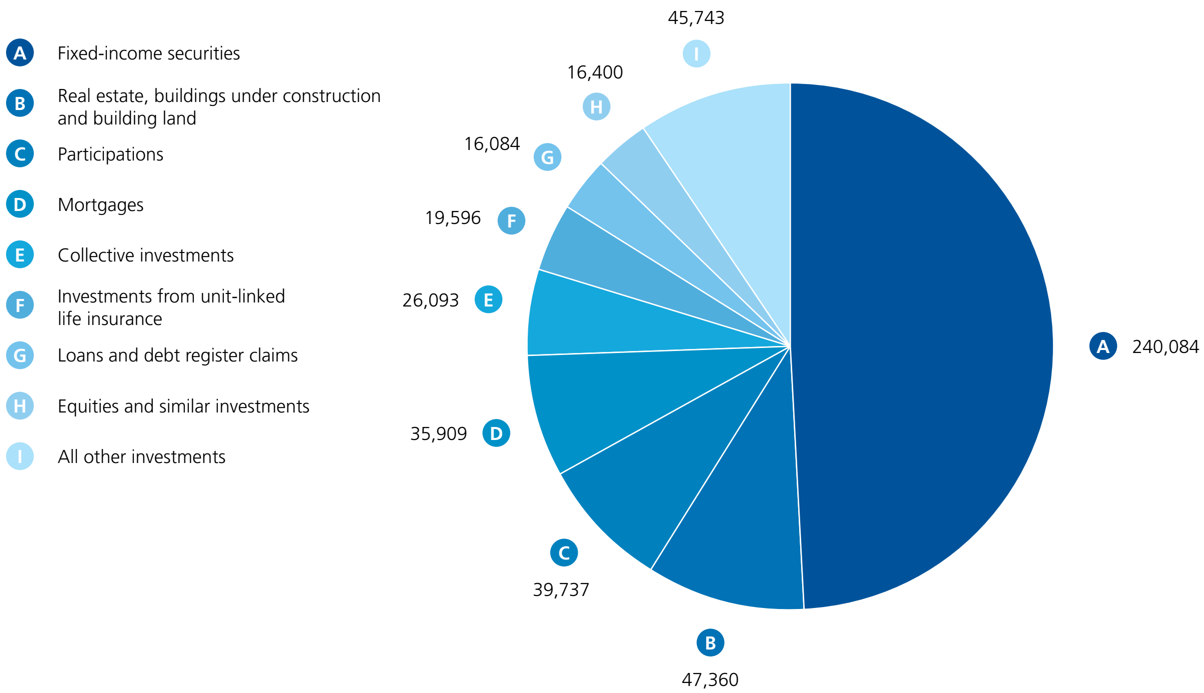
Distribution of total assets

Capital allocation among insurance companies remained mostly stable in 2016. Although fixed-interest securities were reduced slightly (–1%, to 49% of total investments), they remained clearly the largest asset class in the portfolio of Swiss direct insurance companies (55% of total investments in the life insurance sector; 37% in the non-life insurance sector), despite the low-interest rate environment. In 2016, real estate, mortgages and alternative investments increased significantly, while the overall level of equities and similar investments saw only minor changes.

Asset allocation in total market
(in CHF thousands)

	2016	2016	2015	2015
Real estate, buildings under construction and building land	47,360,101	10%	44,611,271	9%
Participations	39,737,096	8%	39,224,467	8%
Fixed-income securities	240,084,364	49%	238,818,831	50%
Loans and debt register claims	16,083,589	3%	15,932,519	3%
Mortgages	35,909,092	8%	33,927,419	7%
Equities and similar investments	16,400,372	3%	15,775,255	3%
Collective investments	26,093,184	5%	25,996,096	6%
Alternative investments	10,490,445	2%	8,859,816	2%
Credits from derivative financial instruments	3,172,658	1%	3,207,846	1%
Time deposits and other money market investments	3,192,318	1%	4,873,224	1%
Policy loans	374,776	0%	424,039	0%
Other investments	15,000,664	3%	13,457,365	3%
Liquid assets	13,511,428	3%	12,835,092	3%
Investments from unit-linked life insurance	19,596,122	4%	19,366,857	4%
Total investments	**487,006,209**	**100%**	**477,310,097**	**100%**

Asset allocation in total market 2016
(in CHF millions)



Return on investments of total assets

The return on investments is reported in accordance with statutory provisions.

In 2016, aggregate return on investments by life insurance companies declined by 20 basis points to 2.89%. Their lower return can be attributed primarily to reduced direct profits from fixed-interest securities (due to declining reinvestment returns). Non-life insurers, on the other hand, managed to increase their return on investments by 81 basis points to 4.44%, primarily because of lower losses from derivative financial instruments and reduced unrealised losses from participations.

Investments in tied assets

At the end of 2016, Swiss insurance companies held a total of CHF 363 billion in tied assets (CHF 9 billion or 2.5% more than in the previous year), and a further CHF 19 billion in investments from unit-linked life insurance.

Return on investments

	2016	2015
Total market	3.38%	3.26%
Life	2.89%	3.09%
Non-life	4.44%	3.63%

Asset allocation in tied assets
(in % and CHF thousands)

	Life 2016	Life 2015	Non-life 2016	Non-life 2015
Real estate, buildings under construction and building land	16%	15%	12%	12%
Participations	1%	1%	0%	0%
Fixed-income securities	59%	61%	52%	52%
Loans and debt register claims	2%	2%	1%	1%
Mortgages	9%	9%	6%	6%
Equities and similar investments	4%	4%	7%	8%
Collective investments	3%	3%	10%	10%
Alternative investments	3%	2%	5%	3%
Net derivatives position	0%	0%	0%	0%
Time deposits and other money market investments	0%	0%	1%	1%
Receivables from reinsurance companies	0%	0%	1%	2%
Other investments	2%	2%	1%	1%
Liquid assets	1%	1%	4%	4%
Total investments for own account	**292,140,460**	**284,571,922**	**70,758,817**	**69,501,911**

In the life insurance sector, approximately 93% (+1% compared with the previous year) of aggregate investments by all life insurance companies (89% of total assets, +1% compared with the previous year) were held as tied assets at the end of 2016. In the non-life insurance sector, the figures were 48% of investments and 41% of total assets, the same as in the previous year.

The three most heavily weighted asset categories – fixed-interest securities, real estate and mortgages – made up 84% of the tied assets of life insurers (–1% compared with the previous year). Non-life insurance companies held 74% of their tied assets in the three strongest investment categories of fixed-interest securities, real estate and collective investment schemes (unchanged compared with the previous year).

Low market interest rates continued to prevail, as in previous years. The interest rate trend, however, developed an entirely new aspect following the decision by the Swiss National Bank at the beginning of 2015. The ten-year spot rate for federal bonds dipped into negative territory and has since been lingering at around –0.5%.

Offering and managing life insurance contracts with savings components therefore continued to be a major challenge in 2016, because it meant offsetting obligations arising from liabilities with long-term interest rate guarantees against invested assets that had to be renewed continuously at historically low returns.

Strategies for coping with low market interest rates

Life insurance companies have developed a number of strategies for mastering these challenges:

- On a smaler scale, they are shifting their fixed-interest securities into real estate, equities and alternative investments, such as private equity, hedge funds and infrastructure projects. However, these strategies fail to fully compensate for the decline in earnings and increase the need for capital.
- They are increasingly looking to compensate for the deficits in retirement and surviving dependant's pensions of the group life sector by lowering the interest on retirement assets of active policyholders and using current but uncertain surpluses in straight life insurance and disability insurance sectors.
- And they are scaling back, if not halting, their underwriting activities in savings insurance with interest guarantees – especially full-value insurance in the occupational benefits sector – while concentrating on reinsuring risk cover for death and disability.

Key figures

The strategy of slowing growth in premium-weighted savings insurance with interest guarantees paid off during the reporting year: Gross premium volume declined sharply by 5.7%, while payments for insurance cases increased by 4.4%. On the other hand, insurance operating costs and the annual results were steady compared to the previous year.

The slowing effect also triggered a decline in full-value insurance contracts, some of which were converted into semi-autonomous solutions. Surrender values increased during the reporting year by CHF 1,086 million (from CHF 2,710 million in 2015 to CHF 3,796 million in 2016) because of cancellations involving group insurance contracts. Finally, lower investment income and the cross-financing of retirement pensions mentioned resulted in lower interest amounts being credited to retirement assets.

Lower technical interest rates

Technical provisions are the most important positions in the balance sheets of life insurance companies and make up 87% of their total assets. Consequently, the technical interest rates used for calculating such provisions are of crucial importance and must be applied so that life insurance companies can meet their obligations at any time. The decline in market interest rates for high-rated Swiss bonds by approximately 25 basis points caused life insurance companies to reduce their technical interest rates. In the individual life insurance sector, these rates declined by 24 basis points from a maximum 1.87% to a maximum 1.63%; for the group life insurance sector, they declined by 14 basis points from 1.61% to 1.43%.

Key figures of life insurers
(in CHF thousands)

	2016	2015	+/–
Booked gross premiums	32,743,217	34,724,076	–5.7%
Claims paid out	30,485,997	29,196,315	4.4%
Costs for underwriting	2,225,156	2,204,033	1.0%
Taxes	205,198	265,619	–22.7%
Gains/losses from investments	9,002,570	9,456,811	–4.8%
Annual profits	**1,062,931**	**1,089,240**	–2.4%
Balance sheet total	**349,710,725**	**343,278,699**	1.9%
Investments	338,417,051	330,954,050	2.3%
Technical liabilities	302,950,096	297,269,664	1.9%
Equity (before profit allocation)	**15,842,951**	**16,450,533**	–3.7%
Return on investments (in %)	**2.89%**	**3.09%**	–0.20 pp
Return on equity (in %)	**6.71%**	**6.62%**	+0.09 pp
SST solvency ratio (in %)	**160%**	**149%**	+11 pp
Tied assets coverage ratio (in %)	**107%**	**107%**	–

SST ratio increased due to new calculation method

The aggregate SST ratio increased by 11 percentage points to 160%, due to changes in the calculation method. Under the old method, the aggregate solvency ratio would have been 174%, virtually the same figure as for the previous year.

Asset allocation

Asset allocation changed only slightly compared with the previous year, yet especially these small shifts point to an indicative long-term trend.

Significant increase in real estate and alternative investments

Real estate and alternative investments have been increasing disproportionally, and maturing fixed-interest securities are being held longer in liquid form due to the challenging environment for new investments. At 55%, they continue to be the largest portion, consisting primarily of government and corporate bonds in Swiss francs and euros.

Profitable corporate and foreign currency investments

The trend towards lower-rated and therefore more profitable corporate and foreign currency investments continued, driving up credit and currency risk in securities portfolios and incurring additional hedging costs.

Some important differences emerge when considering asset allocation over the past decade. A significant portion of equities, participations, loans and policy loans have been switched into fixed-interest securities, a trend that has met with moderate signals

Asset allocation of life insurers
(in CHF thousands)

	2016	2016	2015	2015
Real estate, buildings under construction and building land	40,143,846	12%	37,566,989	11%
Participations	4,924,438	1%	4,942,545	1%
Fixed-income securities	184,940,547	55%	184,444,451	56%
Loans and debt register claims	9,634,669	3%	10,461,080	3%
Mortgages	31,381,497	9%	29,586,165	9%
Equities and similar investments	10,124,202	3%	9,352,429	3%
Collective investments	16,408,040	5%	16,380,490	5%
Alternative investments	6,688,745	2%	5,590,275	2%
Credits from derivative financial instruments	2,456,383	1%	2,560,432	1%
Time deposits and other money market investments	413,021	0%	1,793,728	1%
Policy loans	374,776	0%	424,039	0%
Other investments	5,002,748	1%	3,463,574	1%
Liquid assets	6,328,017	2%	5,032,028	1%
Investments from unit-linked life insurance	19,596,122	6%	19,355,825	6%
Total investments	**338,417,051**	**100%**	**330,954,050**	**100%**

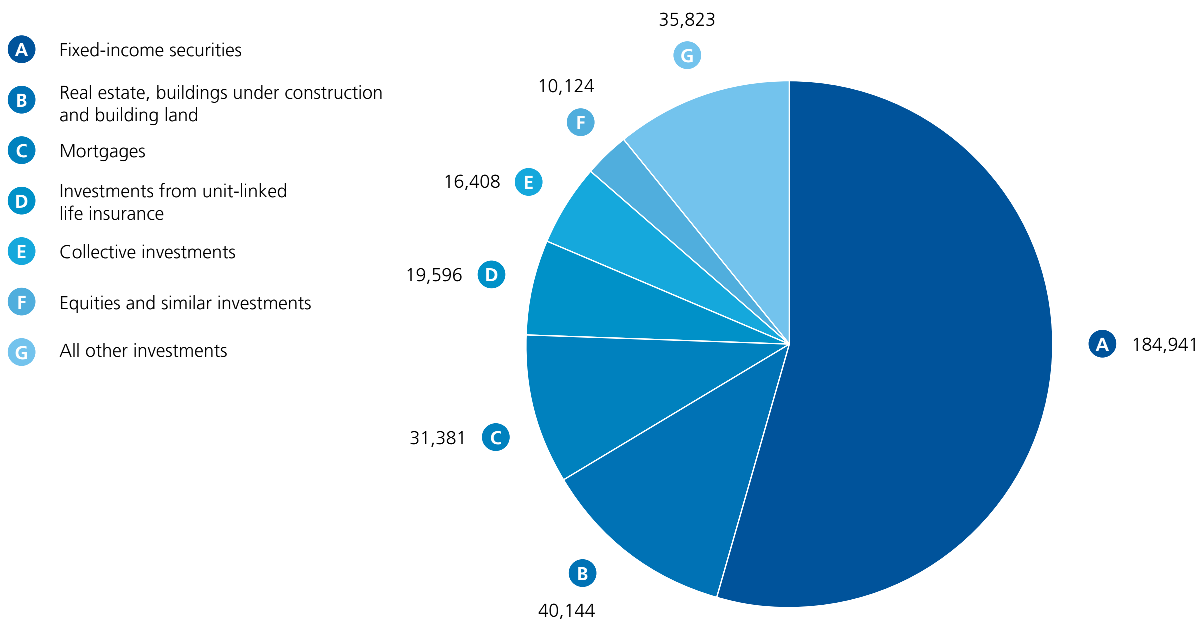
for a reversal on account of negative interest rates and the deterioration of creditworthiness of many government and corporate bonds.

High cover ratio for investments in tied assets

The investments that life insurance companies use to cover their liabilities from life insurance contracts must be secured by means of tied assets, whereby the total target amount in liabilities from such contracts, plus a one-percent safety margin, must be fully covered at all times. The ability to cover the liabilities from insurance contracts takes precedence over any claims by third parties. Furthermore, investments in tied assets are subject to strict rules governing which asset classes are permitted as well as risk diversification and management.

The cover ratio is subject to provisions that called for a target amount of on average 7% above the statutory threshold by the end of 2016, or CHF 21 billion in the case of a target threshold of CHF 290 billion in insurance obligations. Applying the principle of prudence to tied assets when valuing insurance obligations, in conjunction with a risk-based solvency regime, ensures strong protection for the policyholders of Swiss insurance companies.

Asset allocation of life insurers 2016
(in CHF millions)



Premium trends

Gross premiums booked
(in CHF thousands)

	2016	2015	+/–	Percentage of total 2016
Group life occupational pension schemes	23,285,933	24,838,540	–6.3%	71.1%
Classical individual capital insurance	4,375,737	4,682,422	–6.5%	13.4%
Classical individual annuity insurance	428,247	496,666	–13.8%	1.3%
Unit-linked life insurance	1,635,109	1,508,310	8.4%	5.0%
Life insurance linked to internal investment positions	101,520	243,587	–58.3%	0.3%
Capitalisation and tontines	324,510	367,549	–11.7%	1.0%
Other life insurance segments	494,266	483,162	2.3%	1.5%
Individual life insurance not proratable on the branches	–	–	–	–
Health and casualty insurance	4,903	4,900	0.1%	0.0%
Foreign branches	1,549,175	1,594,764	–2.9%	4.7%
Reinsurance accepted	543,817	504,176	7.9%	1.7%
Total	**32,743,217**	**34,724,076**	**–5.7%**	**100%**

After life insurance companies posted additional growth of CHF 1,632 million on their premium income in 2013, they faced declines of CHF 236 million in 2014, CHF 156 million in 2015 and CHF 1,553 million in 2016.

These declines resulted when life insurance companies reacted to market interest rates falling below 0% by considerably scaling back their activities in the area of savings insurance offering guaranteed interest.

Declining premium volume in most insurance sectors
All insurance sectors experienced a considerable decline in premium volume, except for fund-linked life insurance, other life insurance and reinsurance assumed, three sectors with low interest rate and investment risk. Life insurance companies primarily insure the biometric risks of death and disability.

In general, however, lingering negative market interest rates continue to be a major challenge for life insurance companies.

The challenge of negative interest rates

Coping in this environment is particularly challenging for companies offering full-value contracts in the group life occupational benefits sector. Retirement and surviving dependants' pensions are subject to statutorily prescribed conversion rates, and many companies therefore had to allocate additional assets to cover such pensions. They therefore had to use up much of their investment income, whereby active policyholders were left with only a minimal share. Life insurance companies therefore scaled back their resources in the full-value insurance sector and instead concentrated on reinsuring the risks of death and disability.

Great importance of Pillar 2

In relation to the sector as a whole, the ongoing large share (71%) of premium volume achieved by group life occupational benefits providers underscores the importance of Pillar 2, not only for Swiss life insurance companies, but also for SMEs that are looking for low-risk solutions in the form of full-value occupational pension schemes. Life insurance companies operate in a strongly regulated and politically sensitive area of social insurance, and under its statutory mandate FINMA must protect the interests of policyholders. The seemingly high premiums are also due to the fact that vested benefits paid in on enrolment (e.g. when a person changes jobs) are booked as premiums, while withdrawal benefits (e.g. when a person leaves a company) are booked as insurance benefit payments. When combined with the current contributions, premium volume may therefore seem high, even when there is virtually no underwriting activity. It can be assumed that providers are currently no longer able to satisfy the demand in this market. At the same time, no new provider has entered the market in a long time, apparently because doing so is deemed to be insufficiently attractive.

Pillar 3a and 3b schemes are losing ground

Private Pillar 3a and 3b schemes constitute two types of life insurance products: classical life insurance that covers mortality risk by linking the interest rate guarantee to the savings capital, and unit-linked products that separate mortality risk from the savings component and that generally offer no recoverability guarantee. The main categories of classical life insurance are endowment insurance and annuity insurance.

Because of low interest rates which have dropped by over 300 basis points since the beginning of 2008, sales in the Pillar 3a and 3b private life insurance sector saw a massive decline in all product categories. In 1984, the year before occupational benefits insurance became mandatory, private pensions had a 43% share, but they have lost ground steadily ever since, with only a 23% share remaining in 2016. Providers are nevertheless trying to counter this trend by offering innovative savings products.

Market shares in the direct Swiss business

The volume of the six largest providers of direct group life and individual life products in Switzerland declined by 6.6% in 2015, with each sector assuming an equal share of the decline.

There are, however, major differences in how the six largest life insurance companies experienced the decline. While Swiss Life and Basler were able to maintain their share in the group life sector, AXA Life reduced its capacities disproportionately, especially in the group life and the classical individual life insurance sectors. Helvetia Life, on the other hand, succeeded in gaining market share and even posted growth of over 4%. Allianz Suisse Life Insurance Company and Zurich Life were left with clearly smaller market shares, especially in the group life business.

Market shares shifted only slightly. Only Helvetia Life gained share (+1.1 %), proportionate with the loss in share by AXA Life (–1.2%). The other four insurance companies saw only a minor shift in market share.

Small life insurance companies gained slightly

The remaining ten smaller life insurance companies and three subsidiaries managed to gain some ground from the six large companies and shared the remaining portion of 11% (2015: 10%, 2010: 17%).

UBS Life was released from supervision in 2016.

Market shares of life insurers
(in CHF thousands)

	Booked premiums 2016	Market shares 2016	Booked premiums 2015	Market shares 2015
Swiss Life	9,583,329	31.3%	10,158,800	31.1%
AXA Life Ltd	7,992,512	26.1%	8,901,719	27.3%
Helvetia Swiss Life Insurance Company Ltd	3,661,251	11.9%	3,514,709	10.8%
Baloise Life Ltd	2,989,986	9.8%	3,248,377	10.0%
Allianz Swiss Life Insurance Company Ltd	1,758,771	5.7%	1,970,036	6.0%
Zurich Life Insurance Company Ltd	1,425,968	4.7%	1,560,356	4.8%
Six largest insurers	**27,411,817**	**89.5%**	**29,353,997**	**90.0%**

Actuarial reserves

Actuarial reserves are valuations applied per insured person individually and reflect an insurance obligation that is calculated based on conservative accounting principles. They are carried in the balance sheet as the main component of technical liabilities (2016: CHF 303 billion, 2015: CHF 297.3 billion, 2014: CHF 290.2 billion, 2013: CHF 283.9 billion) and for recognising tied assets.

It is important to apply conservative fundamentals when calculating the actuarial reserves. Furthermore, biometric fundamentals must be based on accepted statistical procedures, entered in the business plan and reviewed annually against current and individual benchmarks.

In 2016, total actuarial reserves in all insurance sectors grew by almost 2.0% (2.0% in the previous year) despite the continuing challenging market environment.

The group occupational benefits sector dominates

Group life insurance is the largest part (60%) of the occupational benefits sector, followed by classical individual endowment insurance (maturity or death) with 19%. The shares of the remaining sectors, including foreign businesses with subsidiaries, are single-digit percentages.

Gross actuarial reserves
(in CHF thousands)

	2016	2015	+/–	Percentage of total 2016
Group life occupational pension schemes	159,011,406	154,937,928	2.6%	59.7%
Classical individual capital insurance	50,807,528	50,946,629	–0.3%	19.1%
Classical individual annuity insurance	16,867,202	17,538,557	–3.8%	6.3%
Unit-linked life insurance	15,183,708	15,047,064	0.9%	5.7%
Life insurance linked to internal investment positions	1,508,050	1,303,345	15.7%	0.6%
Capitalisation and tontines	2,596,586	2,442,242	6.3%	1.0%
Other insurance segments	2,698,546	2,876,952	–6.2%	1.0%
Foreign branches	16,971,479	17,139,403	–1.0%	6.4%
Reinsurance accepted	624,234	634,758	–1.7%	0.2%
Total	**266,268,739**	**262,866,877**	**1.3%**	**100%**

In the group occupational benefits sector, the tense situation regarding the statutory pension conversion rates for future retirement pensions and the large number of pensions currently in effect will continue for some time and require additional resources. Although the gradual reduction of the conversion rate for the extra-mandatory portion of full-value insurance provides some relief in the medium term, it also leads to redistribution effects.

Negative trend in individual pensions and other insurance sectors
Actuarial reserves in classical individual life insurance (mainly lump sum, pensions and disability insurance) again showed a negative trend, primarily in individual pensions and the remaining insurance sectors. For as long as interest levels remain at their current low levels and attractive investment opportunities continue to decline, there will be modest chances for attracting new assets and increasing the actuarial reserves in this sector.

Although more and more contracts with high interest rate guarantees are maturing, market interest rates are declining more rapidly than interest guarantees on liabilities. This situation is continuously forcing life insurers to commit additional funds to the actuarial reserves of current classical individual life insurance contracts, funds that must be obtained from current income.

Rising stock markets stabilise the actuarial reserves of unit-linked life insurance
In 2016, the generally rising stock markets made it possible to stabilise the actuarial reserves in the unit-linked life insurance sector. On the other hand, actuarial reserves of life insurance tied to internal investments showed a considerable 16% increase in 2016, largely because internal investment portfolios included notable real estate investments and life insurance companies preferred to launch innovative products in this segment.

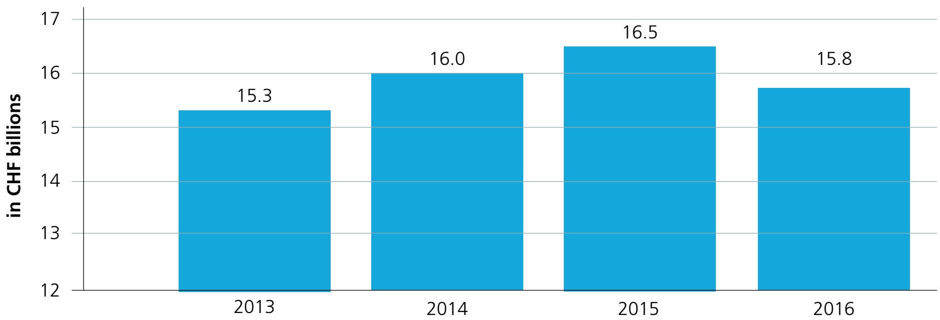
Capital redemption operations again managed to post gains of 6%.

Changes in equity capital

At the end of 2016, the equity capital base came to CHF 15.8 billion, which equals 5.2% of the technical liabilities.

In 2014 and 2015, life insurance companies managed to strengthen their equity capital base slightly (2015: +3.1%, 2014: +4.6%). In 2016, on the other hand, they experienced a 4.2% decline because one life insurance company withdrew profits it had carried forward from the previous year.

Equity capital of life insurers



Non-life insurance companies

The following information pertains to non-life insurers as well as to supplementary health insurers under the Insurance Contract Act (VVG).

Key figures

Despite the increase in booked gross premiums in the direct non-life insurance sector – especially health insurance – premiums as a whole declined because of significantly lower premiums in the active reinsurance business (–7.4%). This is primarily because Allianz Risk Transfer AG is no longer included in the calculation as it moved its registered office to the Principality of Liechtenstein on 1 October 2016.

Better results from investments
Non-life insurance companies had to accept significantly lower unrealised and realised profits in 2016 compared with the previous year, while the respective losses declined even more sharply. Together with the slightly improved direct income, they were therefore able to achieve a significantly better overall investment result in 2016.

Key figures of non-life insurers
(in CHF thousands)

	2016	2015	+/–
Booked gross premiums	47,967,106	48,875,020	–1.9%
Claims paid out	25,811,840	26,305,733	–1.9%
Costs for underwriting	9,548,200	9,714,760	–1.7%
Taxes	757,187	644,069	17.6%
Gains/losses from investments	6,517,964	5,305,035	22.9%
Annual profits	**7,018,905**	**5,590,364**	25.6%
Balance sheet total	**167,036,747**	**162,975,020**	2.5%
Investments	148,589,158	146,356,047	1.5%
Technical liabilities	83,445,422	83,342,678	0.1%
Equity (before profit allocation)	**39,385,332**	**37,489,045**	5.1%
Return on investments (in %)	**4.44%**	**3.63%**	+0.81 pp
Return on equity (in %)	**17.82%**	**14.91%**	+2.91 pp
Loss ratio (in %)	**61.6%**	**63.3%**	–1.7 pp
Expense ratio (in %)	**29.2%**	**28.2%**	+1.0 pp
Combined ratio (in %)	**90.8%**	**91.5%**	–0.7 pp
SST solvency ratio (in %)	**228%**	**193%**	+35 pp
Tied assets coverage ratio (in %)	**125%**	**123%**	+2 pp

Non-life insurance companies

Following a downturn in 2015 caused by Zurich Insurance Company Ltd, aggregate annual profits again reached the levels of 2014 and 2013, and the return on equity capital subsequently reached a very high level of 17.8%.

Loss ratio improved and expense ratio deteriorated

Despite clearly lower earned gross premiums in the non-life insurance and non-life reinsurance sectors (–4.8%), it was possible to improve the loss ratio by 1.7%. This was mainly due to clearly lower payments and the net reversals of provisions in the non-life reinsurance sector; the portfolio of Zurich Insurance Company Ltd was a decisive factor here.

Even though costs in the non-life insurance and non-life reinsurance sectors declined slightly (–1.5%), the expense ratio deteriorated by one percentage point to 29.2% on account of the mentioned drop in earned gross premiums.

Non-life insurance companies continue to experience very comfortable solvency levels, yet the improved solvency ratio can be attributed only partially to actual improvements in solvency. Modifications in the calculation method had an important effect as well; the aggregate solvency ratio would have been 202% under the old calculation method.

Asset allocation

As in previous years, asset allocation remained stable.

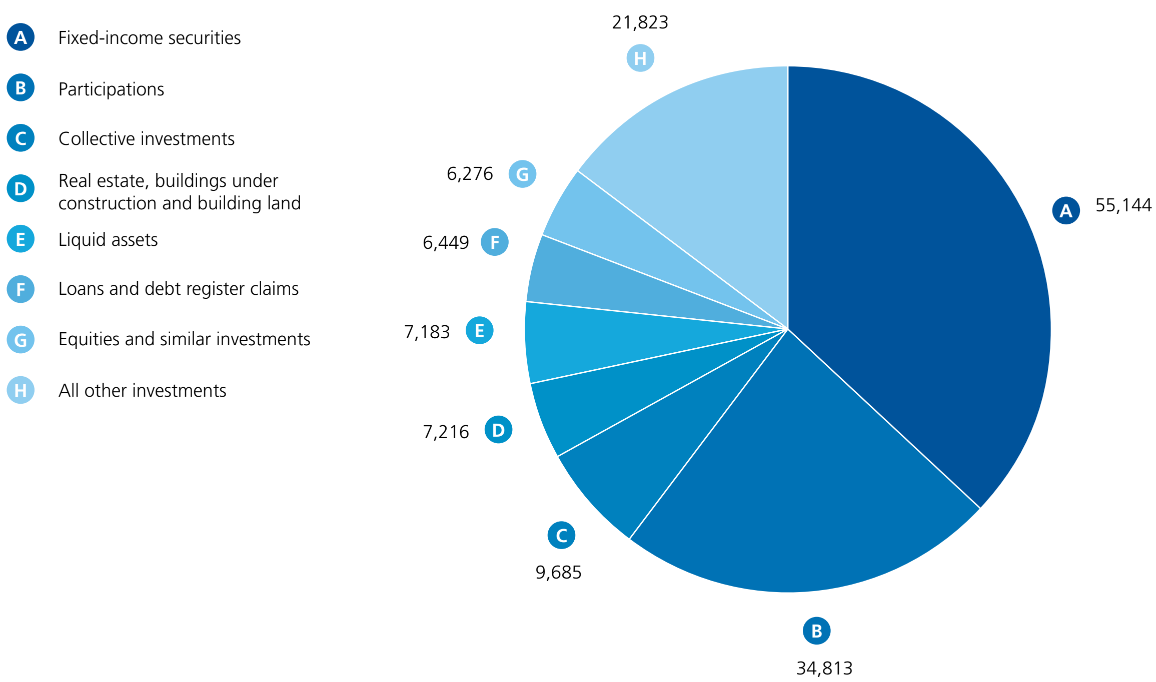
Fixed-income securities
Investments in fixed-interest securities constituted by far the largest asset category – approximately 60% were corporate bonds and 40% government bonds, as in the previous year.

Investments in shareholdings
Investments in shareholdings affected only a few insurance companies, primarily Zurich Insurance Company Ltd with CHF 29.9 billion, AXA Insurance Ltd with CHF 2.3 billion and Helvetia Swiss Insurance Company Ltd with CHF 1.2 billion. Non-life insurance companies continue to invest significantly less in real estate and mortgages than life insurance companies.

Asset allocation of non-life insurers
(in CHF thousands)

	2016	2016	2015	2015
Real estate, buildings under construction and building land	7,216,255	5%	7,044,282	5%
Participations	34,812,658	23%	34,281,922	23%
Fixed-income securities	55,143,817	37%	54,374,379	37%
Loans and debt register claims	6,448,920	4%	5,471,439	4%
Mortgages	4,527,595	3%	4,341,255	3%
Equities and similar investments	6,276,170	4%	6,422,826	4%
Collective investments	9,685,144	7%	9,615,606	7%
Alternative investments	3,801,700	3%	3,269,541	2%
Credits from derivative financial instruments	716,275	0%	647,413	1%
Time deposits and other money market investments	2,779,297	2%	3,079,495	2%
Policy loans	0	0%	0	0%
Other investments	9,997,916	7%	10,004,824	7%
Liquid assets	7,183,411	5%	7,803,065	5%
Total investments	**148,589,158**	**100%**	**146,356,047**	**100%**

Asset allocation of non-life insurers 2016
(in CHF millions)



Premium trends in the Swiss business

Compared with the previous year, non-life insurance companies posted growth of 2.1% (previous year: 1.2%) in the direct business in Switzerland, clearly above the estimated 1.3% growth in GDP.

This was primarily due to above-average growth in the four sectors making up 61% of non-life insurance premiums. In the "health" and "accident" sectors, premium adjustments due to continuously rising health costs again contributed to strong growth in total premiums.

Large differences among sectors
The premium trend in the "land vehicles (comprehensive)" sector reflects the further increase in motorised mobility, measured by the clear rise in total vehicle numbers – even though fewer new vehicles were registered than in 2015, a record year.

Societal trends, sales promotions and new market players led to above-average growth in premiums in the "legal protection" sector compared with the previous years, a trend that continued in 2016.

The small "tourist assistance" sector experienced the strongest growth, driven mainly by increasing amounts spent on travel, an additional need for protection and intensified sales activities by insurers, who often collaborated with travel companies.

Below-average developments in the "fire and property damage" sector and the negative trends in the "land vehicles (liability)" sector are largely due to lower premiums resulting from increased competition and the decreasing frequency of claims in recent years.

Gross premiums booked
(in CHF thousands)

	2016	2015	+/–	Percentage of total 2016
Health	10,232,745	9,867,968	3.7%	37.8%
Fire/property	4,026,818	4,017,375	0.2%	14.8%
Accident	2,992,074	2,918,571	2.5%	11.0%
Land vehicles (comprehensive)	3,265,001	3,187,560	2.4%	12.1%
Land vehicles (liability)	2,723,898	2,737,778	–0.5%	10.1%
Liability	1,982,532	2,007,264	–1.2%	7.3%
Marine, aviation and transport	363,624	392,736	–7.5%	1.3%
Legal expenses	584,619	549,012	6.5%	2.2%
Financial losses	379,148	346,845	9.3%	1.4%
Credit and surety	305,932	303,137	0.9%	1.1%
Tourist assistance	232,951	208,550	11.7%	0.9%
Total	**27,089,342**	**26,536,796**	**2.1%**	**100%**

Market shares in the direct Swiss business

Industrial insurance continued to exhibit a volatile trend, driven by global economic growth and market developments. The sole beneficiary of these forces was the "financial losses" sector, while the "liability" and the "marine, aviation and transport" sectors had to cope with declining premiums.

Market shares among the eight main direct non-life insurance companies in Switzerland changed very little.

The market concentration – measured by the shares of the eight largest insurers – remained unchanged after the leap in the previous year (when Helvetia Swiss Insurance Company Ltd acquired and integrated Nationale Suisse).

Market shares of non-life insurers
(in CHF thousands)

	Booked premiums 2016	Market shares 2016	Booked premiums 2015	Market shares 2015
AXA Insurance Ltd	3,271,711	18.5%	3,250,944	18.6%
Swiss Mobiliar Insurance Company Ltd	2,698,677	15.3%	2,630,174	15.1%
Zurich Insurance Company Ltd	2,530,051	14.3%	2,572,663	14.7%
Allianz Suisse Insurance Company Ltd	1,810,305	10.3%	1,766,805	10.1%
Helvetia Insurance Company Ltd	1,491,238	8.5%	1,496,090	8.6%
Baloise Insurance Company Ltd	1,289,753	7.3%	1,291,036	7.4%
Vaudoise Insurance Company Ltd	869,011	4.9%	822,693	4.7%
Generali Insurance Company Ltd	790,437	4.5%	775,183	4.4%
Eight largest insurance companies	**14,751,183**	**83.6%**	**14,605,588**	**83.7%**

Claims ratios in the Swiss business

The claims ratios of the non-life insurance sectors remain stable. As in the previous year, the total market declined slightly by 0.2% in 2016. Several factors contributed to the stable situation in these sectors during the reporting year.

No major natural hazard events
The absence of major natural hazard events contributed to the slightly lower claims ratios of the "fire/property damage" and "land vehicle (comprehensive)" sectors. The property insurance sector also benefited from the continuing and significant drop in the number of burglaries and thefts (–11%). In 2016, the above-average decline in the claims ratio of the "land vehicles (liability)" sector was attributed especially to the continuing and significant lower number of traffic accidents with serious bodily injuries (–1.8%) and accidents resulting in death – even though the total number of traffic accidents increased slightly in 2016. This positive effect can be attributed to the increased acceptance in the market of vehicle assistance systems, combined with safer vehicles. Furthermore, the continuing favourable handling of old claims helped to further reduce the claims ratio.

Noticeably higher claims ratios of commercial and industrial risks
The noticeably higher claims ratios of commercial and industrial risks in the "marine, aviation and transport," the "liability" and the "financial losses" sectors reflected the volatility in this line of business (large contracts, major losses). In addition, volatility in the claims ratio of the "tourist assistance" sector also reflected, in sum, safety concerns relating to typical holiday destinations.

Decline in the "accident" sector
The above-average decline in the claims ratio of the "accident" sector could not be attributed to any clear factor or trend.

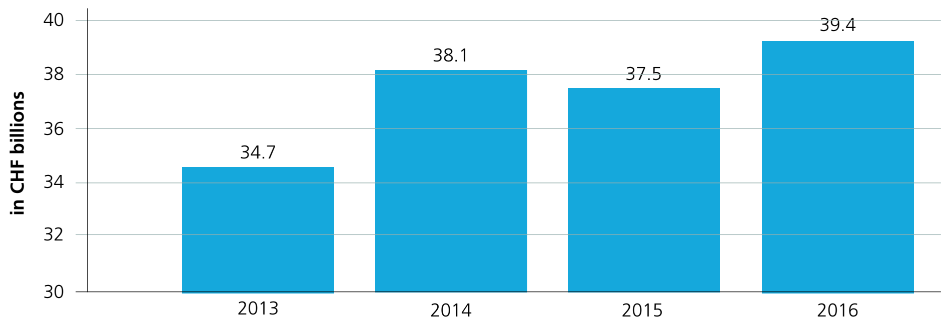
Loss ratios for direct Swiss business

	2016	2015	+/–
Health	77.7%	77.4%	+0.3 pp
Fire/property	45.7%	46.1%	–0.4 pp
Accident	72.8%	76.1%	–3.3 pp
Land vehicles (liability)	64.7%	65.5%	–0.8 pp
Land vehicles (comprehensive)	39.3%	44.2%	–4.9 pp
Liability	41.5%	38.9%	+2.6 pp
Marine, aviation and transport	50.7%	42.0%	+8.7 pp
Legal expenses	53.2%	52.7%	+0.5 pp
Financial losses	70.9%	63.5%	+7.4 pp
Credit and surety	40.1%	41.8%	–1.7 pp
Tourist assistance	76.2%	72.8%	+3.4 pp
Total	**62.9%**	**63.1%**	**–0.2 pp**

Changes in equity capital

The equity capital ratio declined in 2015, mostly due to a single effect at Zurich Insurance Company Ltd. Non-life insurance companies again managed to increase their equity capital during the reporting year.

Equity capital of non-life insurers



Supplementary health insurers

Key figures

Key figures of health insurance companies
(in CHF thousands)

	2016	2015	+/–
Booked gross premiums	7,831,133	7,562,581	3.6%
Booked gross premiums including ISA parts of health funds	9,447,368	9,109,700	3.7%
Claims paid out	5,518,288	5,245,509	5.2%
Costs for underwriting	1,460,984	1,442,030	1.3%
Taxes	214,647	124,511	72.4%
Gains/losses from investments	353,477	400,582	–11.8%
Annual profits	**388,222**	**586,557**	–33.8%
Balance sheet total	**16,795,530**	**16,135,668**	4.1%
Investments	15,965,236	15,399,416	3.7%
Technical liabilities	10,493,577	10,229,596	2.6%
Equity (before profit allocation)	**3,563,752**	**3,335,666**	6.8%
Return on investments (in %)	**2.26%**	**2.65%**	–0.39 pp
Return on equity (in %)	**10.89%**	**17.58%**	–6.69 pp
SST solvency ratio (in %)	**253%**	**256%**	–3 pp
Tied assets coverage ratio (in %)	**132%**	**125%**	+7 pp

Market shares in the supplementary health insurance sector

Market shares in supplementary health insurance
(in CHF thousands)

	Booked premiums 2016	Market share 2016	Booked premiums 2015	Market share 2015
Helsana Supplementary Insurance Ltd	1,747,527	18.5%	1,549,826	17.0%
SWICA Healthcare Insurance Ltd	1,367,267	14.5%	1,304,667	14.4%
CSS	1,192,644	12.6%	1,146,497	12.6%
Visana	1,071,622	11.3%	1,120,225	12.3%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	835,797	8.8%	805,379	8.9%
Sanitas	555,724	5.9%	513,642	5.7%
Concordia	524,219	5.5%	529,766	5.8%
Assura	334,039	3.5%	321,400	3.5%
Eight largest insurance companies	**7,628,839**	**80.6%**	**7,291,402**	**80.2%**

Combined ratio

The combined ratio is a composite key figure that expresses the ratio of gross claims to operating costs. The insurance industry uses this ratio to evaluate the profitability of its portfolios. The ratio also reflects the extent to which gross claims expenditures and operating costs are covered on own account through earned gross premiums.

Expense ratio

The expense ratio is a key figure that non-life insurers use to indicate the amount in earned gross premiums required for managing the insurance operations. The expense ratio is calculated by dividing the earned gross premiums by the operating costs. This key figure is used to evaluate the efficiency of established companies, whereby the rate itself is less indicative than the actual change over time.

Loss ratio

The loss ratio, or gross claims ratio, is a key figure that the non-life insurance sector uses to indicate the extent to which contribution income covers the insurance benefits that are paid. Calculating the loss ratio means dividing the paid-for and reserved gross claims by the earned gross premiums. The gross claims ratio reflects the effect of claims on the insurance company, the adequacy of premiums and the appropriateness of the underwriting policy.

Return on equity capital

Return on equity capital is a key figure that measures the profitability of equity capital. It is calculated based on the ratio of annual profits to equity capital. This simple and precise indicator makes it possible to compare the profitability of different companies. On the other hand, the after-tax result is generally not paid out as dividends to investors but channelled into the surplus reserve.

Return on investments

Return on investments is the profit or loss from an investment divided by the average amount of investments. Return on investments reflects the performance of the investment activities of insurance companies. In the calculation, the numerator is the total of direct income, realised income/losses, unrealised gains/losses and investment expenditures. The denominator is the average amount of the investments (including liabilities from derivatives and excluding investments on third-party account).

Definition of terms

SST solvency ratio
The Swiss Solvency Test (SST) is a modern supervisory tool which applies risk-based principles and uses a total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are then modelled over a one-year period in order to arrive at the total required capital. The solvency ratio contrasts the available capital (risk-bearing capital) against the required capital (target capital). The Swiss branch offices of foreign insurance companies and supplementary health insurers (in the supplementary health insurance sector) that are supervised by FINMA are exempt from SST obligations, with the exception of SWICA Healthcare.

Tied assets
Insurance companies are legally obliged to guarantee entitlements arising from insurance contracts by establishing tied assets. Thanks to this rule, policyholders have a liability substrate which ensures that their claims under insurance contracts will be satisfied before the claims of all other creditors if an insurance company becomes insolvent. All insurance companies, with the exception of reinsurers, must observe special rules when investing tied assets. Tied assets specify not only the eligible asset classes but also the requirements to be met by insurance companies in terms of their investment organisation and processes. The rules contain precisely formulated restrictions for riskier asset classes.

PUBLICATION DETAILS

Published by:
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27 July 2017