

# Circular 2016/2

## Disclosure - insurers

### Principles for the financial condition report

Reference:	FINMA Circ. 16/2 "Disclosure - insurers"
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Entry into force:	1 January 2016
Last amendment:	6 May 2021 [Modifications are indicated by an asterisk (*) and are listed at the end of the document.]
Legal framework:	FINMASA Article 7 para. 1 let. b ISA Article 25, 26 ISO Articles 111a, 203a FMAO-FINMA Article 2
Appendix 1	Quantitative templates for insurance companies
Appendix 2	Quantitative templates for insurance groups

Addressees	
BankA	Other
Banks	
Financial groups and congl.	
Other intermediaries	
Insurers	
Insurance groups and congl.	
Intermediaries	
Portfolio managers	
Trustees	
Managers of collective assets	
Fund management companies	
Investment firms (proprietary trading)	
Investment firms (non propriety trading)	
Managers of the assets of occupational benefits schemes	
Trading venues	
Central counterparties	
Central securities depositories	
Trade repositories	
Payment systems	
Participants	
SICAVs	
Limited partnerships for CISs	
SICAFs	
Custodian banks	
Representatives of foreign CISs	
Other intermediaries	
SRO	
SRO-supervised institutions	
Audit firms	
Rating agencies	

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## I. Purpose

This circular expands on Articles 111a and 203a of the Insurance Supervision Ordinance (ISO; SR 961.011) on the financial condition report of supervised insurance companies, groups and conglomerates. 1

It describes the basic contents and structure of the financial condition report and the minimum requirements for the type and contents of the disclosure. 2

## II. Scope of application

This circular applies to all insurance companies as defined in Article 2 para. 1 lets. a and b of the Insurance Supervision Act (ISA; SR 961.01) and to insurance groups and conglomerates (insurance groups) as defined in Article 2 para. 1 let. d and Articles 65 and 73 ISA which are subject to group and/or conglomerate supervision. 3

Insurance companies authorised to operate in insurance sector C3 (reinsurance by captives) are out of scope. 4

## III. General provisions

The financial condition report (FCR) is formulated in such a way as to be comprehensible to the policyholders and the entitled beneficiaries. 5

It focuses on the previous financial year (the reporting period). 6

It is published in one of the official languages of the Swiss Confederation or in English. 7

As a matter of principle, the annual report is deemed to be the statutory single-entity financial statements or audited single-entity or consolidated financial statements based on recognised accounting standards, as specified in the Accounting Standards Ordinance [RSO; SR 221.432]. 8

The external auditor's summary report to the annual general meeting (as per Art. 728b para. 2 CO) is to be appended to the FCR. It is recommended that the annual report on which the FCR is based should be published in the appendix to the FCR. 9

If an insurance company or group publishes its annual report separately from the FCR, the FCR can make reference to the annual report whenever the information to be published has already been published in the same form. 10

The insurance company or group ensures that the published information is consistent with the information prepared for reporting to FINMA in accordance with Article 25 ISA and Article 53 ISO. 11

#### **IV. Report on the financial condition of insurance companies**

The report to be published by insurance companies shall contain narrative information in both quantitative and qualitative form. It is supplemented with the quantitative templates prescribed by FINMA (see section VII). 12

When drafting the FCR, the insurance company takes due account of the particular features, size and complexity of the business. 13

Insurance companies in supervisory category 2 and insurance groups with insurance companies in supervisory category 2 shall disclose information on their management of climate-related financial risks in the appropriate sections of the FCR. 13.1\*

The disclosures include the following information at a minimum: 13.2\*

- the main features of the governance structure at the insurance company to enable it to identify, evaluate, manage, monitor and report on climate-related financial risks; 13.3\*
- description of the short-, medium- and long-term climate-related financial risks and their impact on the insurance company's business and risk strategy and any effects on existing risk categories; 13.4\*
- risk management structures and processes in place to identify, evaluate and manage climate-related financial risks; 13.5\*
- quantitative information (targets and key data) on climate-related financial risks including the methodology used. 13.6\*

Insurance companies must disclose the criteria and methods used to evaluate the materiality of climate-related financial risks. 13.7\*

The structure of the FCR reflects the requirements set out in subsections IV.A (Business activities), IV.B (Performance), IV.C (Governance and risk management), IV.D (Risk profile), IV.E (Valuation), IV.F (Capital management) and IV.G (Solvency). 14

The report includes a brief, clearly formulated management summary which describes any material changes in the reporting period in relation to the subsections specified in margin notes 18 to 82. 15

On request, FINMA can release insurance companies from the requirement to publish certain categories of information if there are reasonable grounds for doing so. 16

The following provisions do not apply to insurance companies domiciled outside Switzerland:	17
• Section IV.C	
• Section IV.D	
• Section IV.E	
• Section IV.F	
• Section IV.G.	
<b>A. Business activities</b>	
The report contains at least the following information about the insurance company's business activities:	18
• information about the company's strategy, objectives and key business segments	19
• information about whether the insurance company belongs to a group and information about group transactions / business activities which are relevant for the insurance company	20
• information about major shareholders within the meaning of Article 4 para. 2 let. f. ISA	21
• a list of major branches	22
• information about the company's external auditors as per Article 28 ISA	23
• significant unusual events.	24
<b>B. Performance</b>	
The report contains at least the following qualitative and quantitative information about the insurance company's underwriting performance:	25
• information about premiums, costs, claims/benefits during the reporting period (as disclosed in the annual report)	26
• comparison with the corresponding information from the previous reporting period	27
• remarks on the above information in the segmentation as provided in the quantitative template "Performance Non-Life Solo", "Performance Life Solo" and "Performance Solo Reinsurance".	28*
The report contains at least the following qualitative and quantitative information about the insurance company's financial performance:	29

• information about income and expenses from/for investments during the reporting period (as disclosed in the annual report), by asset class	30
• comparison with the corresponding information from the previous reporting period	31
• remarks on the above information	32
• information about profits and losses recognised directly in equity.	33
The report contains information about other material income and expenses during the reporting period and a comparison with the corresponding information from the previous reporting period.	34
<b>C. Corporate governance and risk management</b>	
The report contains, at minimum, information about the composition of the board of directors and executive board of the insurance company and any changes during the reporting period.	35
The report contains at least the following information about the insurance company's risk management:	36
• Description of the system used, including risk strategies, methods and processes	37
• Description of the Risk Management, Internal Audit and Compliance functions and their implementation in the insurance company	38
• Material changes in risk management during the reporting period	39
The report contains a general description of the internal control system implemented at the insurance company.	40
<b>D. Risk profile</b>	
The report contains qualitative and quantitative information about the insurance company's risk profile:	41
The information is broken down into the following risk categories:	42
• Insurance risk	43
• Market risk	44
• Credit risk	45
• Operational risk (at minimum, qualitative information)	46

• Other material risks (at minimum, qualitative information).	47
The report contains at least the following information about the insurance company's risk exposure during the reporting period, including its exposure due to material off-balance-sheet positions and risks transferred to special purpose vehicles (SPVs):	48
• Description of the material risks to which the company is exposed, including any material changes during the reporting period	49
• Description of the measures taken to assess these risks within the company, including any material changes during the reporting period.	50
The report also contains:	51
• A description of the material risk concentrations to which the insurance company is exposed.	52
• A description of the tools used to reduce risk and of the processes used to monitor the ongoing effectiveness of these tools.	53
<b>E. Valuation</b>	
The report contains at least the following information about the market-consistent asset valuation, as used for solvency purposes:	54
• Value of the assets, broken down by asset class (as per the breakdown in the quantitative templates)	55
• Description of the basis and methods used for the valuation	56
• For each asset class, quantitative and qualitative explanatory notes if there are significant discrepancies in the basis and methods between the valuation for solvency purposes and the valuation for the annual report.	57
The report contains at least the following information about the market-consistent valuation of provisions for insurance obligations, as used for solvency purposes:	58
• Gross and net value of the provisions for insurance obligations	59
• Description of the basis, methods and key assumptions used in the valuation	60
• Quantitative and qualitative explanatory notes if there are significant discrepancies in the basis, methods and key assumptions between the valuation for solvency purposes and the valuation for the annual report.	61
The report contains at least the following information about the risk margin:	62

• Value of the risk margin and of the other effects on target capital	63
• Description of the basis, methods and key assumptions used.	64
The report contains at least the following information about the market-consistent valuation of other liabilities, as used for solvency purposes:	65
• Value of provisions for other liabilities	66
• Description of the basis, methods and key assumptions used in the valuation.	67
<b>F. Capital management</b>	
The report contains at least the following information about the insurance company's capital management:	68
• Goals, strategy and time horizon for capital planning	69
• Structure, level and quality of the equity capital reported in the annual report	70
• Description of any material changes during the reporting period	71
• Quantitative and qualitative explanatory notes if there are significant discrepancies between the equity capital reported in the annual report and the difference between the assets and liabilities based on a market-consistent valuation, as used for solvency purposes.	72
<b>G. Solvency</b>	
The insurance company provides information about its choice of solvency model. Where applicable, it justifies its choice of an internal model, describes the model's salient features, and indicates whether it has been approved by FINMA.	73
The report contains at least the following information about the target capital (with explanatory notes):	74
• Breakdown of target capital into its key components	75
• Breakdown of market risk and insurance risk into their key components	76
• Comparison with the corresponding information from the previous reporting period.	77
The report contains at least the following information about the risk-bearing capital (with explanatory notes):	78
• Breakdown of risk-bearing capital into its key components	79



• Comparison with the corresponding information from the previous reporting period	80
The insurance company comments on its reported solvency.	81
In its report, the insurance company notes that the current information about solvency (risk-bearing capital, target capital) is identical to the information which it has submitted to FINMA and, where appropriate, that it is subject to regulatory audit.	82
<b>V. Report on the financial condition of insurance groups</b>	
Insurance groups supervised in Switzerland publish a report on their financial condition.	83
Margin nos. 12–82 apply by extension to the financial condition report of insurance groups.	84
The financial condition report of insurance groups contains the following additional information.	85
• In relation to business activities:	86
• Description of the legal structure of the group	87
• Listing of the main subsidiaries and shareholdings showing the qualitative or quantitative shareholding structure	88
• Listing of branches with a significant share of the business in relation to the parent company	89
• Quantitative and qualitative information about special purpose vehicles (e.g. risk transfer and capital transfer companies) and joint ventures.	90
• In relation to performance:	91
• Quantitative information about key markets (in terms of premium volumes)	92
• Qualitative information about relevant group activities / transactions.	93
• In relation to risk profile:	94
• Qualitative and quantitative information about significant risk concentrations at group level.	95
• In relation to capital management:	96
• Listing of main subsidiaries	97

- Documentation of changes to equity capital, if not already published in the annual report 98
- Explanatory notes about the capitalisation structure, in particular about hybrid, contingent and mezzanine capital. 99

## **VI. Overall financial condition report**

Insurance groups which are supervised in Switzerland can publish an overall financial condition report covering the insurance group and its insurance companies in Switzerland. 100

The overall report presents the required information separately at insurance company and insurance group level. 101

## **VII. Quantitative templates**

FINMA defines quantitative templates for the financial condition reports of insurance companies (see appendix 1) and insurance groups (see appendix 2). 102

The quantitative templates "Market-consistent balance sheet" and "Solvency" do not apply to insurance companies domiciled outside Switzerland. 103

The quantitative templates contain information about the reporting period, the previous reporting period and, where necessary, any interim adjustments. 104

## **VIII. Responsibility (sign-off)**

The executive body charged with the management, supervision and control of the company is responsible for the financial condition report and signs off its disclosure within the meaning of this circular. The general agent signs off the FCR for insurance companies under Article 2 para. 1 let. b ISA. 105

## **IX. Publication requirements and deadlines**

The insurance company or group publishes the financial condition report on its website by 30 April each year. 106

Insurance companies which do not have a website must provide the FCR in hard copy form free of charge within twenty days following the request to do so. 107

The financial condition report is made available to FINMA as soon as it has been published. 108

Insurance companies which meet the following conditions in the reporting period and the previous reporting period may be exempted from the requirement to publish a financial condition report: 109

- Gross premiums written (in all lines of business) less than CHF 10 million; 110
- Gross technical provisions (in all lines of business) less than CHF 50 million; and 111
- Small number of policyholders. 112

Insurance companies must submit a request for exemption to FINMA no later than 30 days after the end of the reporting period. The exemption remains in place for as long as the conditions set out in margin nos. 110, 111 and 112 are met. 113

Insurance companies domiciled outside Switzerland (Art. 2 para. 1 let. b ISA) may ask to be exempted from the requirement to publish a financial condition report if they are subject to an equivalent disclosure regime in their country of domicile. 114

FINMA may allow additional exceptions on a case-by-case basis. 115

## **X. Transitional provisions**

The insurance company or group submits the financial condition report for the 2016 reporting period to FINMA by 30 June 2017. Following a review of these reports, FINMA decides whether and when they should be published in their entirety (Art. 216b para. 3 ISO). Comparisons with information from the previous reporting do not need to be included in the report. 116

From 2018 onwards (i.e. beginning with the 2017 reporting period), insurance companies or groups will publish the FCR by 30 April at the latest. 117

The disclosures in margin nos. 13.1–13.7 must be made for the first time in the FCR relating to financial year 2021. 118\*

# List of modifications



## **This Circular has been modified as follows:**

This modification was adopted on 22 August 2019 and will enter into force on 1 January 2020.

Modified margin no.            28

These modifications were adopted on 6 May 2021 and will enter into force on 1 July 2021.

New margin nos.                13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 118

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## **The Appendixes to the Circular have been modified as follows:**

These modifications were adopted on 31 March 2017 and will enter into force on 16 May 2017.

Modified                            Appendix 1: Currencies in the templates "Market-consistent balance sheet (solo)" and "Solvency (solo)"  
Appendix 2: Currencies in the templates "Market-consistent balance sheet (group)" and "Solvency (group)"

These modifications were adopted on 22 August 2019 and will enter into force on 1 January 2020.

Modified                            Appendix 1: Template "Market-consistent balance sheet (solo)"  
Appendix 2: Template "Market-consistent balance sheet (group)"