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

7 SEPTEMBER 2016

Insurance market report 2015

Foreword

This report provides an overview of the Swiss insurance market in 2015. The first section sets out information about the total market. Sections two, three and four are devoted in greater detail to the sectors “Life”, “Non-Life” and “Reinsurance”.

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

The data reported to FINMA by the insurance companies have been 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

	2015	2014
Life insurers, including – insurance companies domiciled in Switzerland – branches of foreign insurance companies	20 17 3	21 18 3
Non-life insurers, including – insurance companies domiciled in Switzerland (incl. 22 supplementary health insurance companies [2014: 22]) – branches of foreign insurance companies (incl. 1 supplementary health insurance provider [2014: 1])	122 76 46	127 79 48
Reinsurers (total)	59	62
Reinsurers	30	29
Reinsurance captives	29	33
General health insurance companies offering supplementary health cover	13	14
Total number of supervised insurance companies and general health insurance companies	214	224
Insurance groups and conglomerates	6	7

Figure 1: Supervised insurance companies and sectors, 2014–2015

Total market

Key figures

Key figures total market
(in CHF thousands)

	2015	2014	+/–
Booked gross premiums	124,251,903	124,282,844	0.0%
Claims paid out	75,167,076	73,795,293	1.9%
Costs for underwriting	21,642,780	23,314,392	–7.2%
Taxes	1,379,944	1,786,232	–22.7%
Gains/losses from investments	21,812,660	19,068,096	14.4%
Annual profits	**15,167,452**	**12,784,603**	**18.6%**
Balance sheet total	**654,338,594**	**649,353,792**	0.8%
Investments	560,764,971	560,377,894	0.1%
Insurance technical liabilities	465,014,153	458,198,874	1.5%
Equity (before profit allocation)	**84,937,453**	**80,964,143**	**4.9%**
Return on investments (in %)	**4,07%**	**3,64%**	+0.43 pp
Return on equity (in %)	**17,86%**	**15,79%**	+2.07 pp
Solvency ratio SST (in %)	**179%**	**185%**	–6 pp
Coverage ratio tied assets (in %)	**110%**	**110%**	–

Figure 2: Key figures of total market, 2014–2015

Total market

Annual profits total market

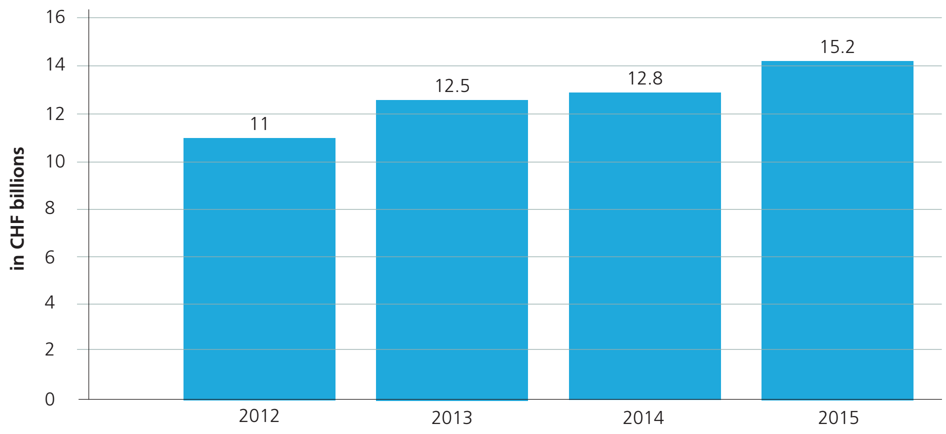

Figure 3: Annual profits of total market, 2012–2015

Equity capital total market

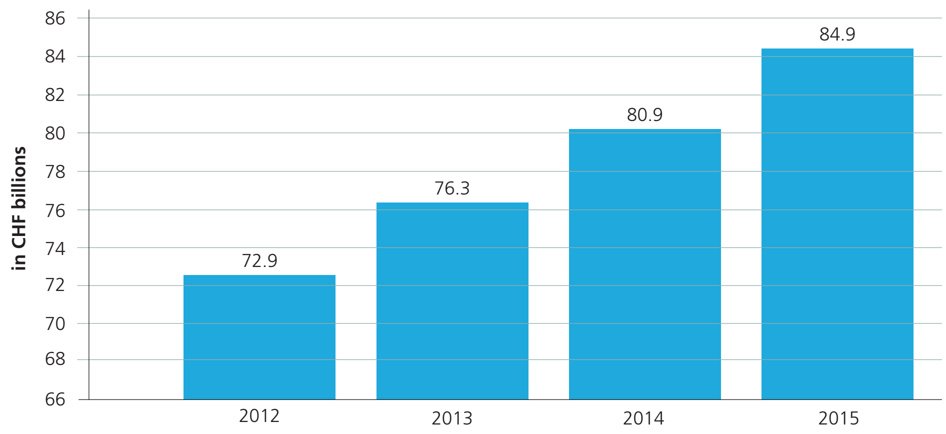

Figure 4: Equity capital of total market, 2012–2015

Investments

Total assets invested

Distribution of total assets

Compared with the previous year, the total investments undertaken by Swiss insurance companies remained stable, amounting at the end of 2015 to CHF 561 billion (0.1 percent up year-on-year). While investments by Life insurers grew by 1.5 percent, investments by non-life insurers decreased by 0.5 percent.

Asset allocation total market
(in CHF thousands)

	2015	2015	2014	2014
Real estate, buildings under construction and building land	44,669,245	8%	42,850,541	8%
Participations	54,628,686	10%	57,201,280	10%
Fixed-income securities	273,434,221	49%	279,499,134	50%
Loans and debt register claims	18,490,770	3%	19,677,068	4%
Mortgages	34,733,176	6%	32,654,752	6%
Equities and similar investments	17,161,038	3%	14,214,835	2%
Collective investments	43,184,691	8%	39,396,317	7%
Alternative investments	9,650,655	2%	9,940,405	2%
Credits from derivative financial instruments	4,343,183	1%	4,945,454	1%
Time deposits and other money markets investments	8,007,222	1%	6,965,308	1%
Policy loans	424,039	0%	480,036	0%
Other investments	16,252,600	3%	17,104,072	3%
Liquid assets	16,418,587	3%	17,733,597	3%
Investments from unit-linked life insurance	19,366,858	3%	17,715,095	3%
Total investments	**560,764,971**	**100%**	**560,377,894**	**100%**

Figure 5: Asset allocation in total market, 2014–2015

Total market

Asset allocation total market 2015
(in CHF millions)

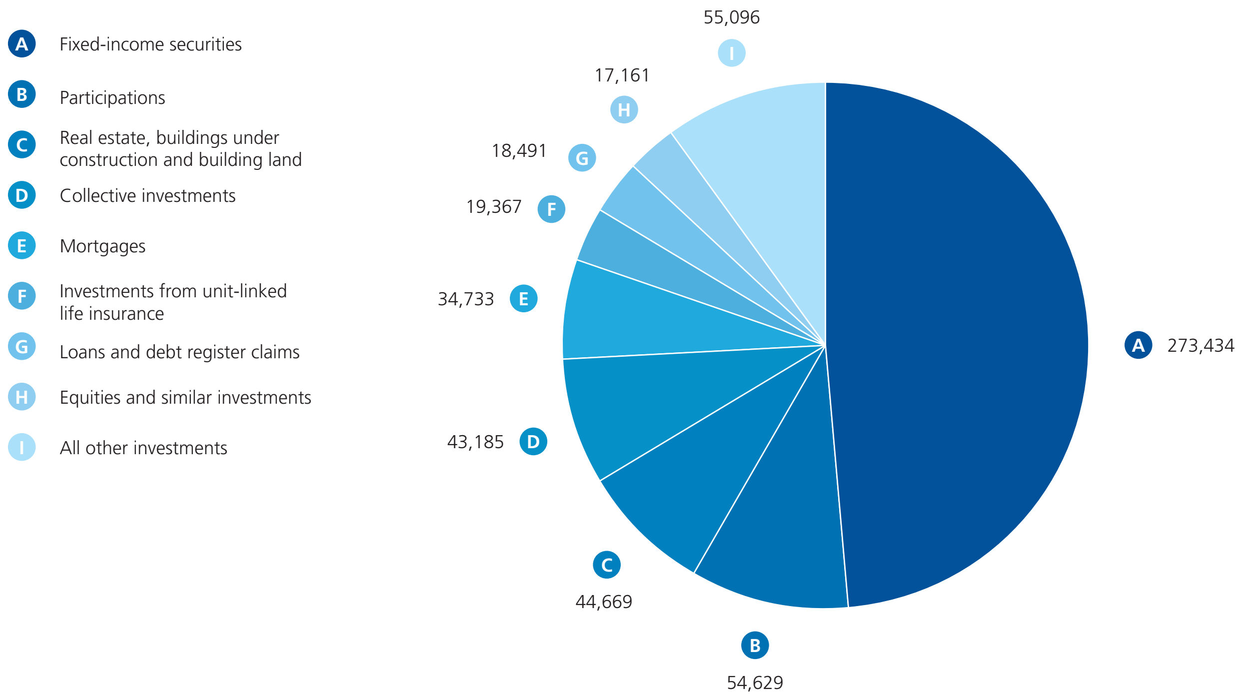

Figure 6: Asset allocation in total market, 2015

Capital allocation for the most part remained constant, as in previous years. Despite the continuing low interest rate environment, fixed-interest securities continued to be the most important asset class in investment portfolios. In life insurance, the share of total investments came to 56 percent (1 percentage point less than in the previous year); in non-life insurance, it came to 39 percent (1 percentage point more than in the previous year). Investments in real estate and mortgages remained unchanged compared with the previous year. The portion of shares and alternative investments increased modestly from a low level (by 5 percent of total investments in life and non-life insurance respectively). Reinsurers invested CHF 3.8 billion or 4.4 percent less in 2015 than in the previous year.

Return on investments of total assets

In 2015, life insurers' return on investments declined by 20 basis points to 3.09 percent compared with the previous year, while non-life insurers reported a decrease in their return on investments by 61 basis points to 3.63 percent. The lower return on investments by life insurers and by non-life insurers compared with the previous year can be attributed primarily to lower unrealised gains, in particular from fixed-interest securities. Reinsurers achieved a high return on their investments in 2015 at 8.4 percent. The increase by 4.53 percentage points on the previous year is due to the exceptional one-off effects of a shift in shareholder structure within the Swiss Re Group which triggered major valuation adjustments.

Return on investments

	2015	2014
Return on investments	4.07%	3.64%
Life	3.09%	3.29%
Non-life	3.63%	4.24%
Reinsurance	8.40%	3.87%

Figure 7: Return on investments of total assets, 2014–2015

Investments in tied assets

Capital allocation in tied assets

Asset allocation in tied assets
(in CHF thousands)

	Life 2015	Life 2014	Non-life 2015	Non-life 2014
Real estate, buildings under construction and building land	15%	14%	12%	11%
Participations	1%	1%	0%	0%
Fixed-income securities	61%	62%	52%	54%
Loans and debt register claims	2%	2%	1%	2%
Mortgages	9%	9%	6%	6%
Equities and similar investments	4%	3%	8%	7%
Collective investments	3%	3%	10%	10%
Alternative investments	2%	2%	3%	3%
Net derivatives position	0%	0%	0%	0%
Time deposits and other money markets investments	0%	0%	1%	1%
Receivables from reinsurance companies	0%	0%	2%	2%
Other investments	2%	2%	1%	1%
Liquid assets	1%	2%	4%	3%
Total investments for own account	**284,571,922**	**274,760,854**	**69,501,911**	**66,975,073**

Figure 8: Asset allocation in tied assets of life and non-life insurers, 2014–2015

At the end of 2015, Swiss insurance companies held a total of CHF 354 billion in tied assets, with an additional CHF 18 billion in investments from unit-linked life insurance.

Life insurers held 92 percent (2 percentage points more than in the previous year) of their investments aggregated from all insurance companies (88 percent of balance sheet totals; plus 2 percentage points) in tied assets at the end of 2015, while Non-life insurers held 48 percent (1 percentage point more than in the previous year) of their investments (41 percent of balance sheet totals; plus 1 percent compared with the previous year).

The three most heavily weighted asset categories (fixed-interest securities, real estate and mortgages) made up 85 percent of life insurers' tied assets (unchanged compared with the previous year). Non-life insurers held 74 percent of their tied assets in the three strongest investment categories of fixed-interest securities, real estate and collective investments (one percentage point less than in the previous year).

Key figures

In 2015 as well, the financial markets were heavily influenced by the strong Swiss franc and historically low interest rates, which even dipped into the negative domain in the case of medium-term maturities. This posed a major challenge for companies that offer and manage life insurance policies with savings components, which historically come with long terms and guarantees – especially interest rate guarantees. The yield on ten-year Confederation bonds had been declining for years, reaching minus 35 basis points in 2015. The impact on the total business volume of life insurers, on the other hand, was small, with premium income remaining unchanged at CHF 35 billion.

Key figures life insurers
(in CHF thousands)

	2015	2014	+/–
Booked gross premiums	34,724,076	34,879,564	–0.4%
Claims paid out	29,196,315	29,526,804	–1.1%
Costs for underwriting	2,204,033	2,591,717	–15.0%
Taxes	265,619	257,949	3.0%
Gains/losses from investments	9,456,811	9,829,733	–3.8%
Annual profits	**1,089,240**	**1,244,739**	–12.5%
Balance sheet total	**343,278,699**	**337,650,581**	1.7%
Investments	330,954,050	326,048,117	1.5%
Insurance technical liabilities	297,269,664	290,195,023	2.4%
Equity (before profit allocation)	**16,450,533**	**15,968,758**	3.0%
Return on investments (in %)	**3.09%**	**3.29%**	–0.20 pp
Return on equity (in %)	**6.62%**	**7.79%**	–1.17 pp
Solvency ratio SST (in %)	**149%**	**149%**	–
Coverage ratio tied assets (in %)	**107%**	**106%**	+1 pp

Figure 9: Key figures of life insurers, 2014–2015

By 1 January 2012, life insurers' average SST ratios had dropped to 105 percent. By 1 January 2014, the insurers had managed to raise the rate again to 153 percent. The euro decision by the Swiss National Bank in January 2015 triggered a short-term decline in the SST ratios; however, life insurers managed to improve their equity capital base in the course of 2015. Life insurers' average SST ratios remained steady in 2015, reaching 149 percent by 1 January 2016.

Life insurers

Life insurers concentrated their investments on fixed-interest securities, real estate and mortgages, as well as on collective capital investments for unit-linked life insurance.

Asset allocation life insurers
(in CHF thousands)

	2015	2015	2014	2014
Real estate, buildings under construction and building land	37,566,989	11%	35,804,167	11%
Participations	4,942,545	1%	5,002,278	2%
Fixed-income securities	184,444,451	56%	185,167,149	57%
Loans and debt register claims	10,461,080	3%	11,293,583	4%
Mortgages	29,586,165	9%	27,322,079	8%
Equities and similar investments	9,352,429	3%	7,304,956	2%
Collective investments	16,380,490	5%	15,104,638	5%
Alternative investments	5,590,275	2%	5,468,622	2%
Credits from derivative financial instruments	2,560,432	1%	2,985,909	1%
Time deposits and other money markets investments	1,793,728	1%	1,620,722	0%
Policy loans	424,039	0%	480,036	0%
Other investments	3,463,574	1%	3,295,720	1%
Liquid assets	5,032,028	1%	7,494,767	2%
Investments from unit-linked life insurance	19,355,825	6%	17,703,491	5%
Total investments	**330,954,050**	**100%**	**326,048,117**	**100%**

Figure 10: Asset allocation of life insurers, 2014–2015

Asset allocation life insurers 2015
(in CHF millions)

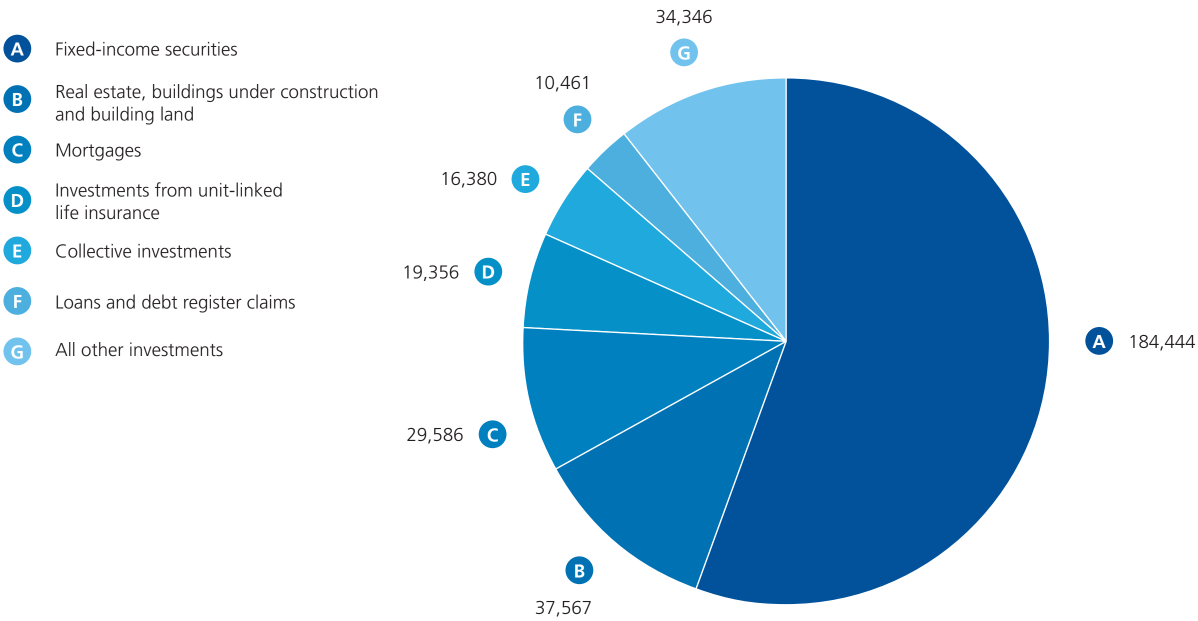

Figure 11: Asset allocation of life insurers, 2015

There were virtually no changes in the structure of investments. The largest part (56 percent) was held as fixed-interest securities, consisting primarily of government and corporate bonds in Swiss francs and euros. The low and in some cases negative interest rates were conducive to portfolio restructuring by including lower-rated, more profitable corporate and foreign currency investments, thus increasing the credit and currency risk of the securities portfolios, a situation that could affect future annual returns.

Derivatives were used almost exclusively as a means of hedging currency and interest rate risks.

The investments that life insurers 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. Covering the liabilities arising from insurance contracts takes precedence over claims by third parties. Furthermore, in the case of investments in tied assets, there are strict rules with respect to permitted asset classes as well as risk diversification and risk management. The provisions that apply to the cover ratio called for a target amount that on average was seven percent above the legal threshold by the end of 2015. This comes to CHF 20 billion in the case of a target threshold for insurance obligations of CHF 283 billion. The level of security afforded through the institutionalised practice of linking tied assets strictly to the principle of prudence when valuing insurance obligations and of applying a risk-based approach to the solvency regime is likely to be among the highest in the world.

Premium trends

Gross premiums booked
(in CHF thousands)

	2015	2014	+/–	Percentage of total 2015
Group life occupational pension schemes	24,838,540	24,670,492	0.7%	71.5%
Classical individual capital insurance	4,682,422	4,904,690	–4.5%	13.5%
Classical individual annuity insurance	496,666	438,647	13.2%	1.4%
Unit-linked life insurance	1,508,310	1,555,805	–3.1%	4.3%
Life insurance linked to internal investment positions	243,587	171,746	41.8%	0.7%
Capitalisation and tontines	367,549	403,853	–9.0%	1.1%
Other life insurance segments	483,162	475,737	1.6%	1.4%
Individual life insurance not proratable on the branches	–	–	–	–
Health and casualty insurance	4,900	5,449	–10.1%	0.0%
Foreign branches	1,594,764	1,792,342	–11.0%	4.6%
Reinsurance accepted	504,176	460,803	9.4%	1.5%
Total	**34,724,076**	**34,879,564**	**–0.4%**	**100%**

Figure 12: Booked gross premiums in life insurance sectors, 2014–2015

After life insurers posted CHF 1,632 million in growth in premium income in 2013, they had to accept minor declines in the two following years; in 2014 growth came to CHF 236 million, while in 2015 the decline amounted to CHF 156 million.

In the “group life occupational pension schemes” sector – following the above-mentioned decline – and in the “classical individual annuity insurance” and the “life insurance linked to internal investment positions” sectors, insurers managed to post modest gains of CHF 168, CHF 58 and CHF 72 million, respectively. All other life insurance sectors, except for “other life insurance segments” posted declines.

While growth in group life insurance in the occupational pensions sector came mostly from savings premiums used for topping up retirement assets, growth in both individual life insurance sectors can be attributed to product innovations. In general, however, the decline in market interest rates to below zero percent is posing a major challenge for life insurers. The unforeseeable risks that come with offering long-term interest rate guarantees will rise the longer this practice continues.

Annual growth of group insurance (occupational pensions) as a share of premium volume of the overall business (2015: 71.5 percent, 2014: 70.7 percent, 2013: 69.3 percent, 2012 and 2011: 67.3 percent, 2010: 63.5 percent, 2009: 61.4 percent) underscores the significance of Pillar 2 for Swiss life insurers and for SMEs that are asking for risk-resistant, full-value solutions for occupational pensions. Life insurers thus operate in a strongly regulated and politically sensitive area of social insurance. Based on its statutory mandate, FINMA intends to protect these assets.

In private pensions under Pillars 3a and 3b, life insurers in principle offer two types of products: classical life insurance that is linked to an interest rate guarantee on the savings capital and covers mortality risk, and unit-linked products whose cover for mortality risk is separated and that generally come with only a capital guarantee, or no recoverability guarantee at all. The most significant categories of classical life insurance are endowment insurance and annuity insurance.

Because of the prevailing low interest rates which have declined by over 250 basis points since 2008, the distribution of life insurance products in Pillar 3a and 3b private pensions has been scaled back significantly in all product categories. In 1984, the year before the introduction of mandatory occupational pensions, private pensions had a 43 percent share, and they have lost ground steadily ever since. Swiss life insurers are hardly able to manage them profitably without relying on the economies of scale found in occupational pensions. They are, however, making efforts to counter this trend with innovative savings products. While this may provide temporary relief, they will have to find ways of coping with the underlying trend in the long term. Protecting the funds that are being managed is the key priority, and the prevailing low interest rate environment makes it no longer possible to offer attractive interest rate guarantees.

Market shares in the direct Swiss business

Market shares life insurers

(in CHF thousands)

	Booked premiums 2015	Market shares 2015	Booked premiums 2014	Market shares 2014
Swiss Life	10,158,800	31.1%	9,508,686	29.1%
AXA Leben	8,901,719	27.3%	9,237,167	28.3%
Helvetia Leben	3,514,709	10.8%	3,467,957	10.6%
Basler Leben	3,248,377	10.0%	3,173,110	9.7%
Allianz Suisse Leben	1,970,036	6.0%	2,016,541	6.2%
Zürich Leben	1,560,356	4.8%	1,637,639	5.0%
Six largest insurers	**29,353,997**	**90.0%**	**29,041,100**	**88.9%**

Figure 13: Market shares of life insurers, 2014–2015

In the direct Swiss business, the six largest life insurers showed similar growth trends as in the previous year. While *AXA Leben* reduced its full-value insurance in the group insurance of occupational pensions sector and increasingly favoured contracts without a savings process and conversions into retirement pensions, *Swiss Life* utilised newly available capacities in full-value insurance and thus managed to generate six percent in growth in its group insurance of occupational pensions sector (plus CHF 650 million). Besides *Swiss Life*, only *Basler Leben* managed to generate growth in group insurance of occupational pensions (plus CHF 125 million); all other providers posted declines. As a result, market shares shifted accordingly. *Swiss Life* managed to increase by two percent, and *Basler Leben* and *Helvetia* by smaller margins, the latter especially due to having acquired the individual life portfolio of *National Leben*. The other companies lost market shares; one percentage point in the case of *AXA Leben*.

The remaining eleven smaller life insurers and the three branch offices shared the remaining 10 percent (2014: 11 percent, 2013: 12 percent, 2012 and 2011: 13 percent, 2010: 17 percent). In 2015, *Helvetia Leben* acquired *Schweizerische National Leben* through a merger.

Actuarial reserves

Actuarial reserves are valuations that apply per insured person individually and reflect an insurance obligation that is calculated based on conservative accounting principles. The actuarial reserves must be recognised as the main component of the technical liabilities in the balance sheet and for establishing the tied assets (2015: CHF 297.3 billion, 2014: CHF 290.2 billion, 2013: CHF 283.9 billion; 2012: CHF 274.4 billion).

Gross actuarial reserves
(in CHF thousands)

	2015	2014	+/–	Percentage of total 2015
Group life occupational pension schemes	154,937,928	147,323,539	5.2%	58.9%
Classical individual capital insurance	50,946,629	50,896,489	0.1%	19.4%
Classical individual annuity insurance	17,538,557	17,795,363	–1.4%	6.7%
Unit-linked life insurance	15,047,064	15,534,387	–3.1%	5.7%
Life insurance linked to internal investment positions	1,303,345	1,140,944	14.2%	0.5%
Capitalisation and tontines	2,442,242	2,227,888	9.6%	0.9%
Other insurance segments	2,876,952	3,535,684	–18.6%	1.1%
Foreign branches	17,139,403	18,684,190	–8.3%	6.5%
Reinsurance accepted	634,758	605,432	4.8%	0.2%
Total	**262,866,877**	**257,743,916**	**2.0%**	**100%**

Figure 14: Gross actuarial reserves of life insurance sectors, 2014–2015

In 2015, total actuarial reserves of all insurance sectors grew by 2.0 percent (1.8 percent in the previous year), which was achieved under challenging market conditions.

In group insurance of occupational pensions, the tense situation regarding additional reserves can be expected to continue in this sector for an extended period of time due to the pension conversion rates mandated by law that apply to future retirements and due to the large number of pensions currently in effect. Here, the gradual reduction of the pension conversion rate for the extra-mandatory portion of full-value insurance provides some relief in the medium term.

Actuarial reserves in classical individual life insurance (mainly lump sum, pensions and disability insurance) again showed a negative trend, especially in individual pensions and the remaining insurance sectors. The acquisition of new funds and the resulting growth in actuarial reserves will be very modest in this sector as long as interest rates remain at their current low levels and new investment opportunities continue to disappear. While classical individual life insurance has seen an increase in contracts with high interest rate guarantees, market interest rates are declining more rapidly than interest rate guarantees on liabilities are being reduced. This situation is repeatedly forcing life insurers to commit additional funds in order to shore up existing individual life insurance contracts, funds that must be financed from current income.

In 2015, stagnation in the equities markets led to a decline in the actuarial reserves of current fund-linked life insurance contracts (3.1 percent). On the other hand, the actuarial reserves of life insurance tied to internal investments showed a significant increase (plus 14.2 percent). This can be attributed to the fact that internal investment portfolios included considerable shares in real estate. Furthermore, life insurers launched innovative products especially in this segment. Capital redemption operations again managed to post significant gains (9.6 percent). This can be attributed primarily to wealthy private clients who continue to look for insurance solutions as a means of protecting their assets.

Changes in equity capital

The 2015 financial year was marked by the continuing decline in market interest rates to historically low levels. Between 2008 and 2012 the interest rate on ten-year medium-term notes of the Swiss Confederation dropped by a total of 244 basis points, from 3.04 percent at the beginning of 2008 to 0.6 percent at the beginning of 2013. In 2013 it climbed by 65 basis points, closing at 1.25 percent at the end of 2013. However, the rate resumed its downward trend in 2014 – minus 87 basis points to 0.38 percent on 30 December 2014, and minus 42 basis points to minus 0.04 percent on 30 December 2015.

Interest rate trends are of great significance for life insurers because they predominantly invest in fixed-interest securities. Investment income from fixed-interest securities will continue to decline because some of the previously acquired assets with higher interest rates are set to mature and will thus need to be restructured into lower interest rate investments or sold when hidden assets are realised. This would not be a problem if the trend in liabilities were to develop in parallel. However, underwriting liabilities, which make up the main part of liabilities, are linked to longer terms and in part to fixed interest rate guarantees. Earnings from premium income and investments are increasingly used as a means of forming sufficient technical provisions. For years now, surplus participation has had to be reduced, leaving fewer funds available to form additional equity capital. Nevertheless, life insurers managed to boost their equity bases slightly in 2015 (plus 3.1 percent, 2014: plus 4.6 percent, 2013: plus 9.3 percent), but the decline in investment income most likely will continue due to the prevailing low interest rate levels.

Equity capital Life insurers

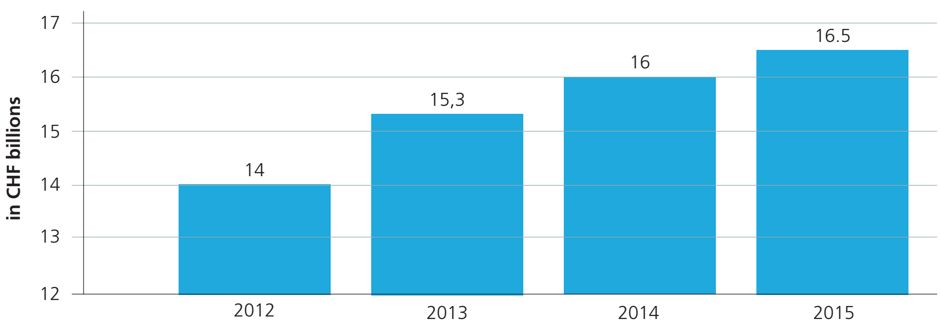

Figure 15: Equity capital of life insurers, 2012–2015

Non-life insurers

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

Key figures

The decline in the reinsurance business of Zurich Insurance Group clearly illustrates the drop in booked gross premiums. Expenditures for insurance operations declined because of the newly prescribed minimum breakdowns of the annual financial statements that caused CHF 2 billion in "expenditures for insurance operations" to be switched to "other expenditures from insurance operations" (not included here).

Furthermore, the decline in balance sheet totals can initially be attributed to Zurich Insurance Group as well; the reduced insurance business, lower profits of

Key figures non-life insurers
(in CHF thousands)

	2015	2014	+/–
Booked gross premiums	48,875,020	50,242,371	–2.7%
Claims paid out	26,305,733	26,137,281	0.6%
Costs for underwriting	9,714,760	11,992,003	–19.0%
Taxes	644,069	644,394	–0.1%
Gains/losses from investments	5,305,035	6,020,501	–11.9%
Annual profits	**5,590,364**	**6,982,989**	–19.9%
Balance sheet total	**162,975,020**	**166,758,329**	–2.3%
Investments	146,356,047	147,112,645	–0.5%
Insurance technical liabilities	83,342,678	83,907,601	–0.7%
Equity (before profit allocation)	**37,489,045**	**38,135,050**	–1.7%
Return on investments (in %)	**3.63%**	4.24%	–0.61 pp
Return on equity (in %)	**14.91%**	18.31%	–3.40 pp
Loss ratio (in %)	**64.1%**	63.2%	+0.9 pp
Expense ratio (in %)	**27.4%**	26.0%	+1.4 pp
Combined ratio (in %)	**91.5%**	89.2%	+2.3 pp
Solvency ratio SST (in %)	**193%**	191%	+2 pp
Coverage ratio tied assets (in %)	**123%**	130%	–7 pp

Figure 16: Key figures of non-life insurers, 2014–2015

approx. CHF 1.6 billion compared with the previous year, and dividend payments based on strong profits in the previous year, all contributed to reducing the Group's balance sheet total by around CHF 2.8 billion. The reduced profits of Zurich Insurance Group also explain the decline in aggregated annual profits.

The increase in direct income and the realised and unrealised gains from investments were more than compensated for by the very high increase in unrealised losses. This led to a significant decline in profits from investments.

The strong decline in premiums as described, together with lower paid and reserved gross claims (approx. minus 2.3 percent due to a major claim involving *Solen* in 2014) and an increase in operating expenditures (approx. plus 1.8 percent), led to a worse loss ratio, expense ratio and combined ratio.

Solvency remained steady at a high level.

Asset allocation

Asset allocation remained relatively steady, as in previous years. Investments in holdings affected only a few insurers, in particular Zurich Insurance Group with CHF 29.2 billion and *AXA Versicherungen* with CHF 2.3 billion.

Investments in fixed-interest securities constituted the largest asset category by far. As in the previous year, they broke down into roughly 60 percent corporate bonds and 40 percent government bonds. Non-life insurers invested less in real estate and mortgages than life insurers.

Asset allocation non-life insurers
(in CHF thousands)

	2015	2015	2014	2014
Real estate, buildings under construction and building land	7,044,282	5%	6,987,573	5%
Participations	34,281,922	23%	34,920,742	24%
Fixed-income securities	54,374,379	39%	55,969,113	38%
Loans and debt register claims	5,471,439	4%	6,182,966	4%
Mortgages	4,341,255	3%	4,378,094	3%
Equities and similar investments	6,422,826	3%	5,359,792	4%
Collective investments	9,615,606	7%	9,444,447	6%
Alternative investments	3,269,541	2%	2,924,613	2%
Credits from derivative financial instruments	647,413	0%	841,482	0%
Time deposits and other money markets investments	3,079,495	3%	2,740,308	2%
Policy loans	0	0%	0	0%
Other investments	10,004,824	6%	10,524,160	7%
Liquid assets	7,803,065	5%	6,839,355	5%
Total investments	**146,356,047**	**100%**	**147,112,645**	**100%**

Figure 17: Asset allocation of non-life insurers, 2014–2015

Non-life insurers

Asset allocation non-life insurers 2015
(in CHF millions)

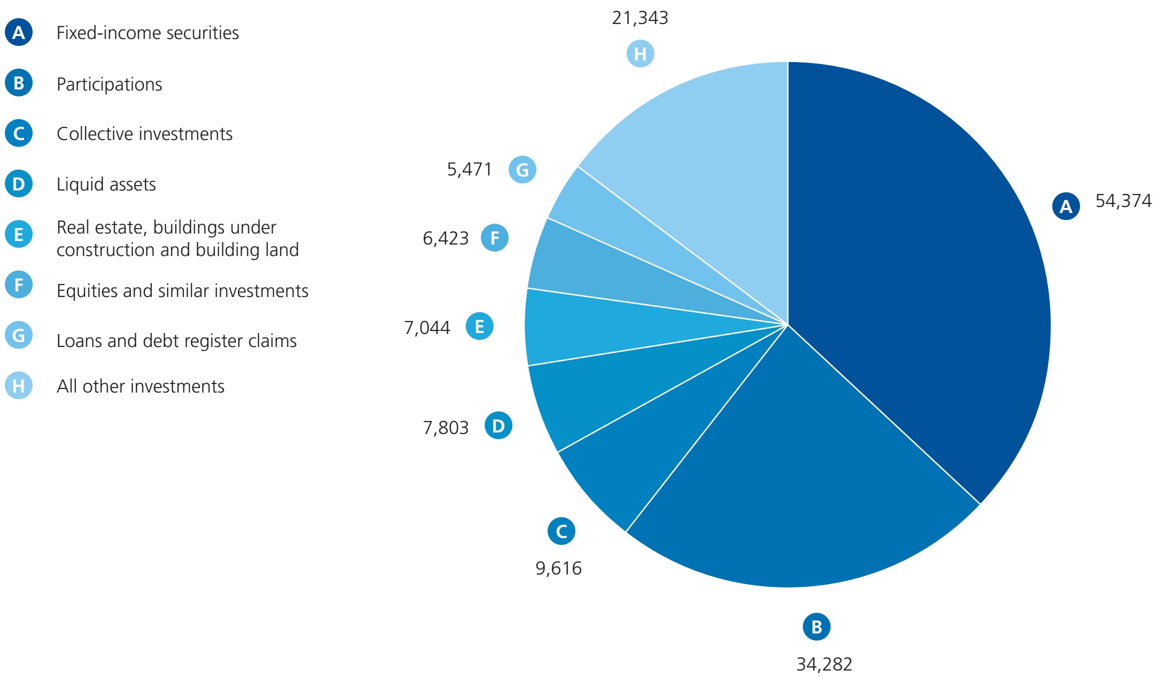

Figure 18: Asset allocation of non-life insurers, 2015

Premium trends in the Swiss business

At 1.2 percent growth, the premium trend of non-life insurers in the direct Swiss business is slightly above GDP growth of 0.9 percent. This trend is primarily due to the health sector and driven by the continuing increases in health costs, but also because of the "motor vehicle (comprehensive)" sector, whose growth reflects the strong increase in new vehicles being registered as well as the significant rise in the total number of vehicles.

The above-average increase in demand for "legal expenses" products can be explained by high market penetration due to increased sales efforts and new players entering the market with innovative offers.

The slight decline in premiums from products for "fire" and "property" is primarily due to competitive pressures. The same applies to the "marine, aviation and transport" sector, as well as to the "credit and surety" sector. These sectors depend directly on exports, which were affected adversely by the appreciation of the Swiss franc in 2015 – a further explanation for the negative premium trend.

In the "motor vehicle (liability)" sector, premium volumes declined as well on account of intense price competition. Growth in the overall number of vehicles, derived largely from small-engined vehicles, had virtually no effect on total premiums. Population trends in the high-volume business and the volatility in the industrial sector in particular led to an above-average increase in premium volume in the "liability" sector, despite intense competition in premiums and conditions.

Gross premiums booked
(in CHF thousands)

	2015	2014	+/–	Percentage of total 2015
Health	9,867,968	9,629,455	2.5%	37.2%
Fire/property	4,017,375	4,028,557	–0.3%	15.1%
Accident	2,918,571	2,920,776	–0.1%	11.0%
Motor vehicle (comprehensive)	3,187,560	3,099,787	2.8%	12.0%
Motor vehicle (liability)	2,737,778	2,759,894	–0.8%	10.3%
Liability	2,007,264	1,933,750	3.8%	7.6%
Marine, aviation and transport	392,736	413,186	–4.9%	1.5%
Legal expenses	549,012	527,299	4.1%	2.1%
Financial losses	346,845	384,472	–9.8%	1.3%
Credit and surety	303,137	303,322	–0.1%	1.1%
Tourist assistance	208,550	218,616	–4.6%	0.8%
Total	**26,536,796**	**26,219,115**	**1.2%**	**100%**

Figure 19: Gross premiums for non-life insurance in the direct Swiss business without assumed reinsurance, 2014–2015

Market shares in the direct Swiss business

The market shares of the largest non-life insurers in the Swiss market remained virtually unchanged. Notable is the growth of *Helvetia's* market share, which can be explained through the merger and integration of *National*. *Schweizerische Mobiliar* again managed to gain market share in all sectors, while *AXA Versicherungen* lost some due to lower premium income from motor vehicle liability and roadside assistance insurance.

Market shares non-life insurers
(in CHF thousands)

	Booked premiums 2015	Market shares 2015	Booked premiums 2014	Market shares 2014
AXA Versicherungen	3,250,944	18.6%	3,294,794	19.0%
Schweizerische Mobiliar	2,630,174	15.1%	2,547,750	14.7%
Zürich Versicherung	2,572,663	14.7%	2,552,589	14.7%
Allianz Suisse	1,766,805	10.1%	1,745,260	10.1%
Helvetia	1,496,090	8.6%	816,909	4.7%
Basler Versicherung AG	1,291,036	7.4%	1,309,801	7.5%
Vaudoise	822,693	4.7%	782,926	4.5%
Generali Assurances	775,183	4.4%	785,138	4.1%
Eight largest insurance companies	**14,605,588**	**83.7%**	**13,835,167**	**79.3%**

Figure 20: Market shares of non-life insurers, excluding health insurers, 2014–2015

Claims ratios in the Swiss business

In the absence of major natural hazard events, the claims ratio declined slightly by 0.2 percentage points to a total of 63.1 percent. The claims ratio for the "fire" and "property" sectors consequently also declined to 46.1 percent from 63.8 in the previous year.

The decline in theft (minus 13.5 percent) as a whole, especially in the case of burglary (minus 19 percent), is another factor in the extraordinarily low claims ratio of this sector: The number of cases reported to the police in 2015 was as low as the number last reported in 2007.

Loss ratios for direct Swiss business

	2015	2014	+/–
Health	77.4%	75.6%	+1.8 pp
Fire/property	46.1%	63.8%	–17.7 pp
Accident	76.1%	64.7%	+11.4 pp
Motor vehicle (liability)	65.5%	65.1%	+0.4 pp
Motor vehicle (comprehensive)	44.2%	46.5%	–2.3 pp
Liability	38.9%	34.1%	+4.8.pp
Marine, aviation and transport	42.0%	55.0%	–13.0 pp
Legal expenses	52.7%	53.6%	–0.9 pp
Financial losses	63.5%	32.6%	+32.7 pp
Credit and surety	41.8%	28.8%	+13.0 pp
Tourist assistance	72.8%	78.7%	–5.9 pp
Total	**63.1%**	**63.3%**	**–0.2 pp**

Figure 21: Claims ratios by sector in the direct Swiss business, 2014–2015

The positive trend in the claims ratio of the "motor vehicle (liability)" sector, on the one hand, reflects the decline in road traffic accidents with serious injuries (2015: minus 5 percent) and, on the other hand, relates to the continuing positive trend in how old claims are processed, something that can be attributed to a change in the legal practice of how whiplash injuries are managed.

The change in the claims ratio of accident insurance from 64.7 percent to 76.1 percent can be attributed to the significant increase in the claims ratio of mandatory occupational accident insurance from 52.8 percent to 100.2 percent. The reason for this increase was a profitable management of contracts: while in 2014 CHF 117.2 million was needed to process claims, in 2015 the additional amount in provisions came to CHF 48.2 million.

The economic consequences of the dramatic jump in exchange rates also left their mark on the "financial losses" and "credit and surety" sectors, which increased from 32.6 percent to 65.3 percent and from 28.8 percent to 41.8 percent respectively. The higher claims ratio in the "liability" sector can be attributed to the volatility in the industrial sector (large contracts).

Changes in equity capital

As described in the "Key figures" section, the decline in equity capital can be explained largely by the decline at Zurich Insurance Group.

Equity capital non-life insurers

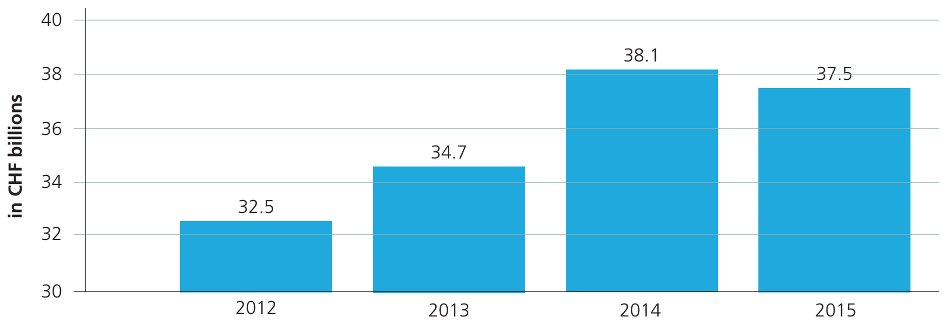

Figure 22: Equity capital of non-life insurers, 2012–2015

Supplementary health insurance providers

Key figures

Key figures health insurance companies
(in CHF thousands)

	2015	2014	+/–
Booked gross premiums	7,562,581	7,378,818	2.5%
Booked gross premiums including ISA parts of health funds	9,109,700	8,879,113	2.6%
Claims paid out	5,245,509	5,039,534	4.1%
Costs for underwriting	1,442,030	1,366,479	5.5%
Taxes	124,511	207,138	–39.9%
Gains/losses from iinvestments	400,582	518,974	–22.8%
Annual profits	**586,557**	**577,278**	1.6%
Balance sheet total	**16,135,668**	**15,961,088**	1.1%
Investments	15,399,416	14,804,823	4.0%
Insurance technical liabilities	10,229,596	9,954,276	2.8%
Equity (before profit allocation)	**3,335,666**	**3,066,127**	8.8%
Return on investments (in %)	**2.65%**	3.60%	–0.95 pp
Return on equity (in %)	**17.58%**	18.83%	–1.25 pp
Solvency ratio SST (in %)	**256%**	267%	–11 pp
Coverage ratio tied assets (in %)	**125%**	134%	–9 pp

Figure 23: Key figures of supplementary health insurers, 2014–2015

Market share in the supplementary health insurance sector

Market shares in the health insurance business (in CHF thousands)	Booked premiums 2015	Market share 2015	Booked premiums 2014	Market share 2014
Helsana Supplementary Insurance Ltd	1,549,826	17.0%	1,424,276	16.1%
SWICA Healthcare Insurance Ltd	1,304,667	14.4%	1,257,261	14.2%
CSS	1,146,497	12.6%	1,140,229	12.9%
Visana	1,120,225	12.3%	1,055,438	11.9%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	805,379	8.9%	850,789	9.6%
Concordia	529,766	5.8%	518,349	5.8%
Sanitas	513,642	5.7%	512,236	5.8%
Assura	321,400	3.5%	306,254	3.5%
Eight largest insurance companies	**7,291,402**	**80.2%**	**7,064,832**	**79.8%**

Figure 24: Market shares in the supplementary health insurance sector, 2014–2015

Key figures

The financial position of reinsurers remained stable and solid in 2015. The gross premiums written rose by 3.8 percent to CHF 41 billion. This increase stemmed mainly from reinsurance companies which commenced their operations in Switzerland in 2015.

Key figures reinsurers
(in CHF thousands)

	2015	2014	+/–
Booked gross premiums	40,652,807	39,160,909	3.8%
Claims paid out	19,665,028	18,131,209	8.5%
Costs for underwriting	9,723,986	8,730,671	11.4%
Taxes	470,256	883,889	–46.8%
Gains/losses from investments	7,050,814	3,217,863	119.1%
Annual profits	**8,487,849**	**4,556,875**	86.3%
Balance sheet total	**148,084,875**	**144,944,882**	2.2%
Investments	83,454,874	87,217,132	–4.4%
Insurance technical liabilities	84,401,811	84,096,250	0.4%
Equity (before profit allocation)	**30,997,875**	**26,860,334**	15.4%
Return on investments (in %)	**8.40%**	3.87%	+4.53 pp
Return on equity (in %)	**27.38%**	16.97%	+10.41 pp
Net combined ratio, non-life (in %)	**96.0%**	93.6%	+2.4 pp
Benefit ratio, life (in %)	**78.0%**	84.1%	–6.1 pp
Solvency ratio SST (in %)	**200%**	217%	–17 pp

Figure 25: Key figures of reinsurers, 2014–2015

There was an unusual jump in annual profits from CHF 4.6 billion in the previous year to CHF 8.5 billion in 2015. The prime reason for this was the gain from investments, up from CHF 3.2 billion (2014) to CHF 7.1 billion (2015). This unusual increase was driven by one-off effects within the Swiss Re Group, where a shift in shareholder structure resulted in significant valuation adjustments. It also meant that the return on equity climbed to 27%. However, annual profits for the other reinsurance companies declined in 2015.

One consequence of the aforementioned valuation adjustments at Swiss Re was that the balance sheet total rose from CHF 145 billion to CHF 148 billion, and in this case the other reinsurers likewise reported an increase.

The SST solvency ratio fell by 17 percentage points in 2015 to 200%. Many reinsurers paid out large dividends to shareholders, in some cases well above their annual profits.

Asset allocation

Asset allocation reinsurers
(in CHF thousands)

	2015	2015	2014	2014
Real estate, buildings under construction and building land	57,973	0%	58,801	0%
Participations	15,404,219	18%	17,278,260	20%
Fixed-income securities	34,615,391	42%	38,362,872	44%
Loans and debt register claims	2,558,251	3%	2,200,519	2%
Mortgages	805,757	1%	954,578	1%
Equities and similar investments	1,385,783	2%	1,550,088	2%
Collective investments	17,188,595	21%	14,847,232	17%
Alternative investments	790,839	1%	1,547,169	2%
Credits from derivative financial instruments	1,135,338	1%	1,118,063	1%
Time deposits and other money markets investments	3,133,998	4%	2,604,279	3%
Policy loans	0	0%	0	0%
Other investments	2,795,236	3%	3,295,796	4%
Liquid assets	3,583,494	4%	3,399,475	4%
Total investments	**83,454,874**	**100%**	**87,217,132**	**100%**

Figure 26: Asset allocation of reinsurers, 2014–2015

There was little change in asset allocation in 2015. Collective investments increased by 4 percentage points to 21%. Fixed-income securities remained the predominant investment category, although as a share of total investments they declined slightly to 42%. The Swiss Re companies hold a much larger proportion of participations than the other reinsurers, as these companies have a holding function alongside their operational business. For the other reinsurers, participations only accounted for 2%, while fixed-income securities were unchanged at 55%.

Asset allocation reinsurers 2015
(in CHF millions)

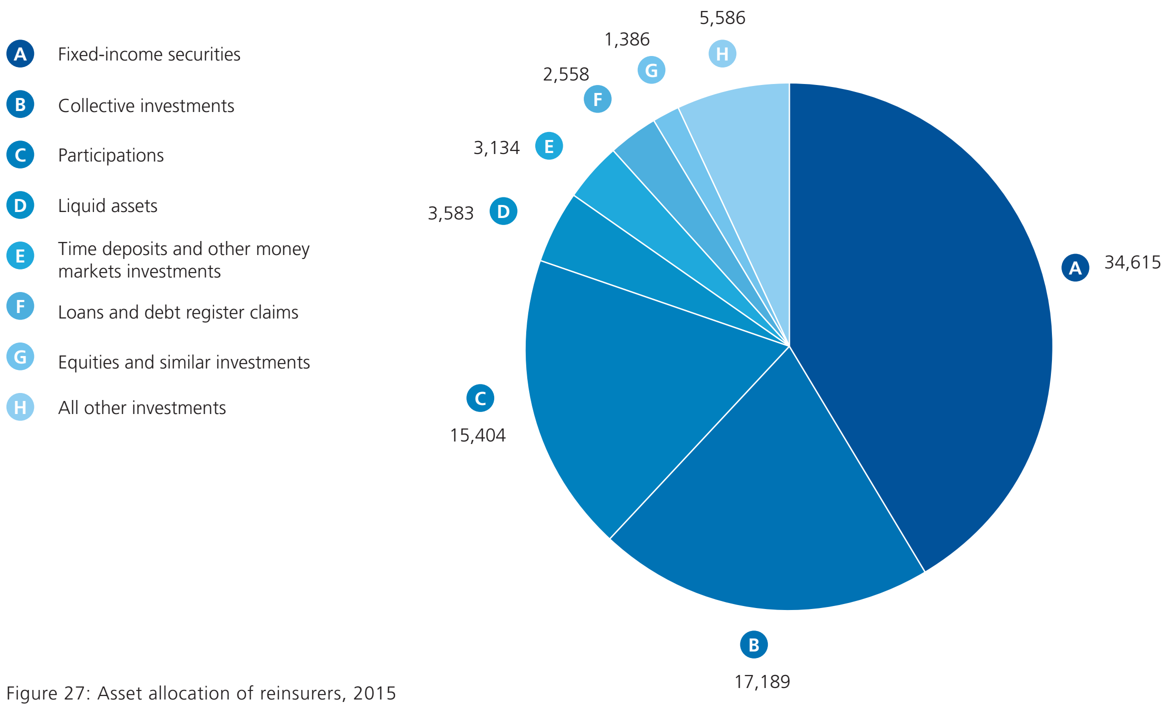

Figure 27: Asset allocation of reinsurers, 2015

Premium trends

Premiums earned reinsurers
(in CHF thousands)

	2015	2014	+/–	Percentage of total 2015
Short-tail	13,021,868	12,171,463	7.0%	40.0%
Long-tail	9,911,836	9,155,290	8.3%	30.5%
Catastrophes	2,719,958	3,675,094	–26.0%	8.4%
Total non-life	**25,653,662**	**25,001,847**	**2.6%**	**78.9%**
Life	6,868,586	6,179,160	11.2%	21.1%
Total net premiums	**32,522,248**	**31,181 007**	**4.3%**	**100%**
Asia/Pacific	10,035,990	10,499,896	–4.4%	30.9%
Europe	9,153,850	10,239,040	–10.6%	28.1%
North America	11,713,008	8,985,953	30.3%	36.0%
Rest of the world	1,619,400	1,456,118	11.2%	5.0%
Total net premiums	**32,522,248**	**31,181,007**	**4.3%**	**100%**

Figure 28: Premiums earned in reinsurance by lines of business and region, 2014–2015

Net premiums continued to grow in 2015, continuing the trend in previous years. The strongest growth was in short-tail business, and the fastest growing region was North America. There was a noticeable decline in cover for natural disasters, with premiums falling by 26 percentage points to CHF 2.7 billion. This reflects both the pricing pressures which are a hallmark of the segment and the conscious choice of companies to reduce the available capacity.

Loss ratios

The scale of major claims, in particular following natural disasters, was again well below average in 2015. This resulted in very low loss ratios in this sector. Overall loss ratios remained stable, profiting from run-off gains in previous years.

Loss ratios in non-life reinsurance business

	2015	2014	+/–
Short-tail	57.7%	56.4%	+1.3 pp
Long-tail	61.4%	64.9%	–3.5 pp
Catastrophes	27.4%	33.4%	–6.0 pp
Total	**56.0%**	**56.1%**	**–0.1 pp**

Figure 29: Loss ratios in non-life reinsurance, 2014–2015

Changes in equity capital

Statutory equity displayed a steep rise from CHF 27 billion (2014) to CHF 31 billion (2015). The main reason for this increase was the change in shareholder structure at the Swiss Re Group, which led to valuation adjustments. For the other reinsurance companies, equity remained stable in 2015.

Equity capital reinsurers

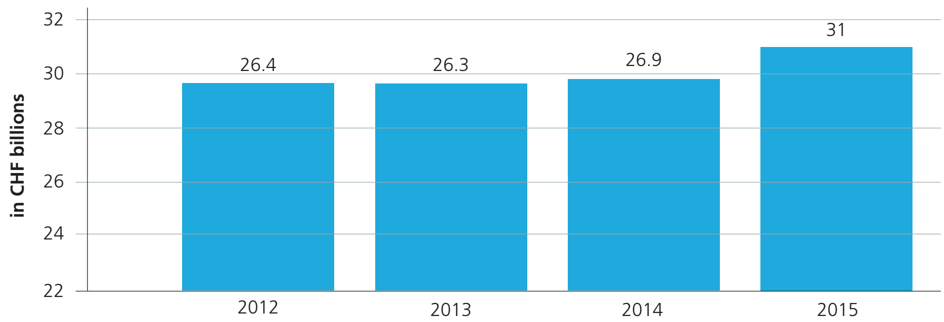

Figure 30: Equity capital of reinsurers, 2012–2015

Definition of terms

Combined ratio

The combined ratio is a composite key figure composed of loss ratio and expense ratio. 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 on own account are covered 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. The loss ratio is calculculated by 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 often not paid out as dividends to investors but channelled into the surplus reserve.

Return on investments

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

Swiss Solvency Test

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) supervised by FINMA are exempt from SST obligations, with the exception of *SWICA Healthcare*.

Tied assets
Insurance companies are legally obliged to guarantee claims arising from insurance contracts by establishing tied assets. Thanks to this rule, insured persons 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.

List of figures

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