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 2018

Foreword

This report provides an overview of the Swiss insurance market in 2018. The first part contains information about the market as a whole. Parts 2, 3 and 4 provide detailed information on the life, non-life and reinsurance sectors.

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. For example, 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 on the Swiss Solvency Test (SST) contain only the values for solo insurance companies subject to FINMA supervision. The 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.

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, 2017–2018

	2018	2017
Life insurers, including	19	19
– insurance companies domiciled in Switzerland	16	16
– branches of foreign insurance companies	3	3
Non-life insurers, including	114	118
– insurance companies domiciled in Switzerland (of which 18 supplementary health insurance companies [previous year: 19])	70	73
– branches of foreign insurance companies (of which 2 supplementary health insurance companies [previous year: 2])	44	45
Reinsurers (total)	54	55
– Reinsurers	27	28
– Reinsurance captives	27	27
General health insurance companies offering supplementary health cover	12	12
Total number of supervised insurance companies and general health insurance companies	199	204
Insurance groups and conglomerates	6	6

Total market

Key figures

Swiss insurance companies achieved aggregate annual profits of CHF 10.6 billion in 2018, which represents a 40% increase over the previous year. While life insurers reported a slight fall in their annual profits, non-life insurers were able to increase their aggregated profits by CHF 1.4 billion or 26%. Reinsurers were able to increase their annual profits from CHF 0.8 million in the previous year to CHF 2.4 billion in the reporting year due to lower claims burdens. Although total booked premiums fell by 12% in 2018 and gains from investment activity fell by 13%, this was more than offset by the release of technical reserves.

Swiss insurance companies' equity increased by CHF 1.8 billion overall, while the return on equity was 12.61%, an increase of 3.37 percentage points compared with the previous year.

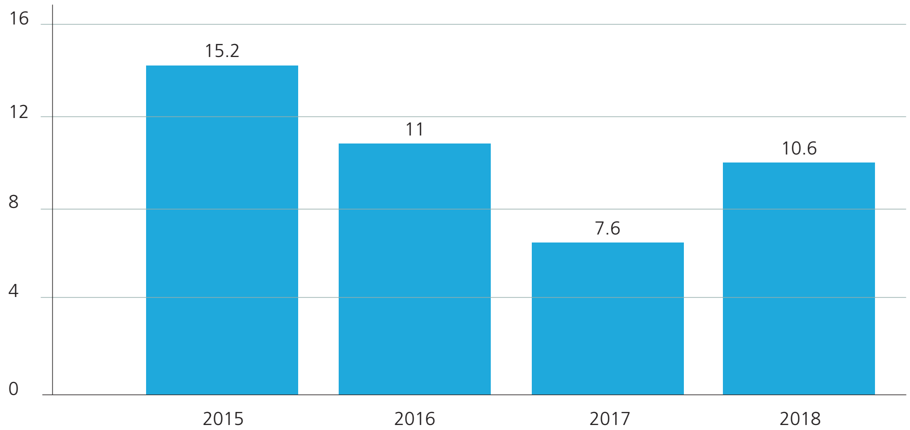
The cover ratio of tied assets fell by 1 percentage point during the reporting year and was 111% at year end. The solvency ratio according to the Swiss Solvency Test was 219%, an increase of 10 percentage points compared with the previous year.

Key figures of total market
(in CHF thousands)

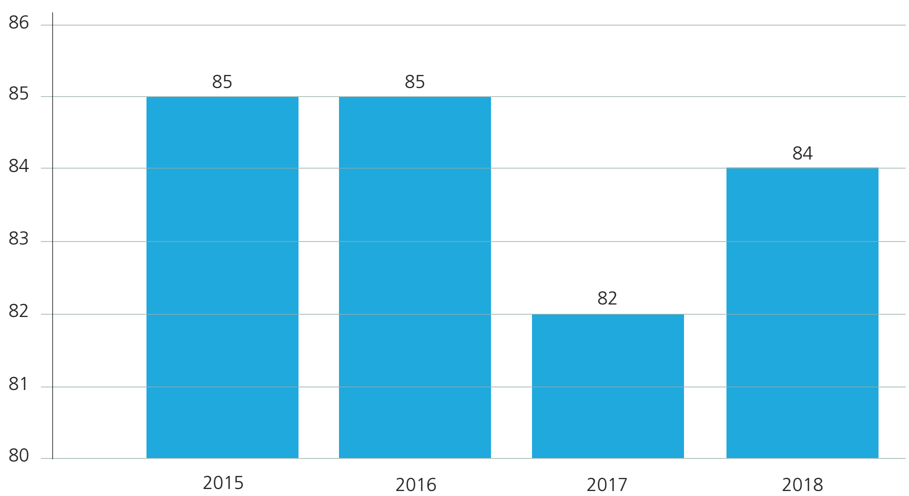
	2018	2017	+/–
Gross premiums written	114,023,955	130,059,205	–12.3%
Claims paid out	86,960,107	74,601,897	16.6%
Cost for the change in technical liabilities	–10,244,153	16,667,527	n/a
Cost for the change in other actuarial liabilities	86,199	759,505	–88.7%
Costs for underwriting	21,846,974	25,961,831	–15.8%
Taxes	1,305,503	1,494,632	–12.7%
Gains/losses from investments	15,740,753	18,075,040	–12.9%
Annual profits	**10,575,877**	**7,578,085**	**39.6%**
Balance sheet total	**684,212,059**	**696,658,763**	–1.8%
Investments	581,902,318	586,674,719	–0.8%
Technical liabilities	482,983,607	495,178,160	–2.5%
Equity (before profit allocation)	**83,846,496**	**82,043,946**	**2.2%**
Return on investments	**2.81%**	**3.25%**	–0.44 pp
Return on equity	**12.61%**	**9.24%**	+3.37 pp
SST solvency ratio	**219%**	**209%**	+10 pp
Tied-assets coverage ratio	**111%**	**112%**	–1 pp

Total market

Annual profits total market
(in CHF billions)



Equity capital total market
(in CHF billions)



Total market

Investments

The following section provides information about total assets and the return on investments of total assets as reported by Swiss insurance companies in 2018. It also gives an overview of how tied assets are allocated.

Total assets invested

TTotal investments by Swiss insurance companies fell by 0.8% in 2018 and amounted to CHF 582 billion at the end of the year. Life insurance companies fell by CHF 4 billion (1.3%) to CHF 338 billion, while non-life insurance companies remained stable and amounted to CHF 150.5 billion at the end of the year. Investments by reinsurers fell slightly by 0.4% to CHF 93 billion.

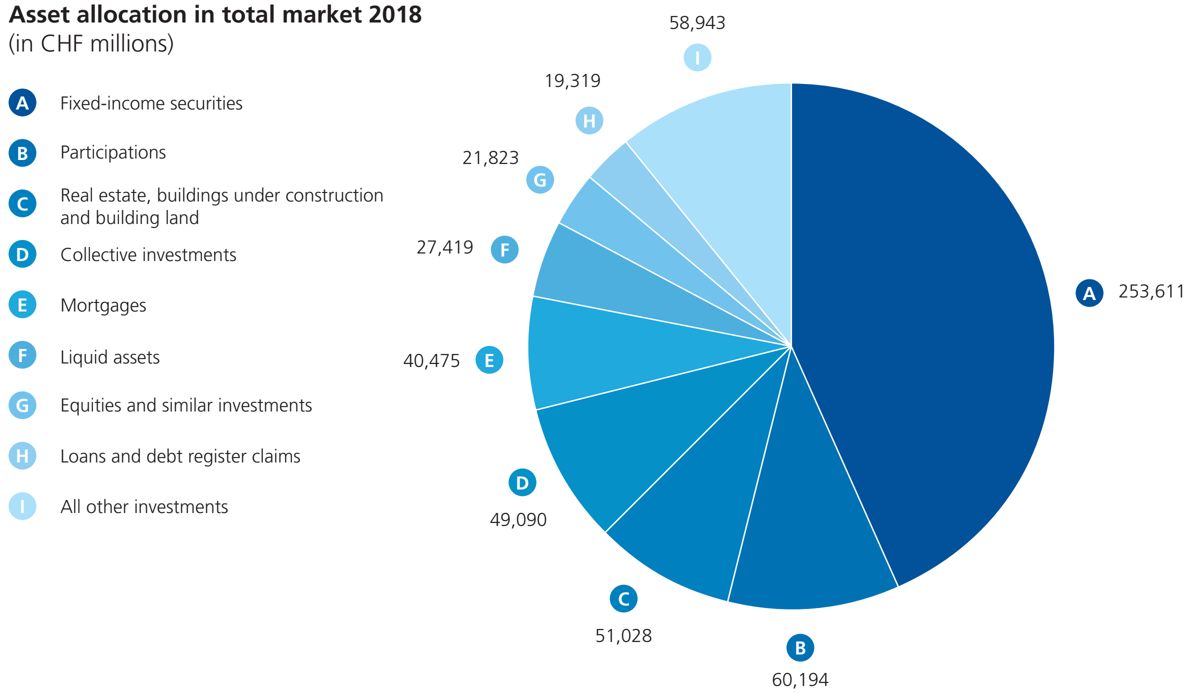
Distribution of total assets

The continuing low interest rate environment resulted in a significant decline in fixed-interest investments in the portfolio of Swiss insurance companies (–CHF 19 billion or –7%). However, they remained the dominant asset class, making up 44% of total investments. Life insurers held 49% (–4 percentage points compared with the previous year) while non-life insurers held 34% (–2 percentage points compared with the previous year) and reinsurers held 39% (unchanged) of their total assets in fixed-interest securities. On the other hand, liquid assets increased significantly by CHF 9 billion or 50%. As in previous years, investments in real estate and mortgages grew slightly. The portfolio of collective investment schemes and shares also increased slightly compared with the previous year.

Asset allocation in total market
(in CHF thousands)

	2018	2018	2017	2017
Real estate, buildings under construction and building land	51,027,658	9%	49,429,295	8%
Participations	60,193,825	10%	56,359,458	10%
Fixed-income securities	253,610,760	44%	272,660,854	46%
Loans and debt register claims	19,319,442	3%	18,597,518	3%
Mortgages	40,475,310	7%	39,066,508	7%
Equities and similar investments	21,823,443	4%	21,007,141	4%
Collective investments	49,090,428	9%	48,171,125	8%
Alternative investments	13,207,567	2%	13,635,081	2%
Credits from derivative financial instruments	5,232,642	1%	4,137,330	1%
Time deposits and other money market investments	2,392,159	0%	3,186,784	1%
Policy loans	290,297	0%	326,728	0%
Other investments	18,915,437	3%	21,903,445	4%
Liquid assets	27,419,387	5%	18,244,735	3%
Investments from unit-linked life insurance	18,903,963	3%	19,948,717	3%
Total investments	**581,902,318**	**100%**	**586,674,719**	**100%**

Asset allocation in total market 2018
(in CHF millions)



Return on investments of total assets

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

The return on investments by life insurers declined by 17 basis points to 2.35% compared with the previous year, while non-life insurers lost 48 basis points, achieving a return of 3.58% on their investments. The poorer investment performance of both life and non-life insurance companies can be attributed primarily to higher unrealised losses and lower unrealised gains, particularly from equities and similar investments due to the difficult market situation. Among the reasons why non-life insurers achieved a higher return on investment compared to life insurers is the substantial proportion of foreign investments they hold in their capital portfolios. While life insurance companies held 94% of their investments in tied assets, this share amounted to 48% for non-life insurance companies. The return on investments for reinsurers fell by 130 basis points to 3.15% in 2018. The lower return on investment can be attributed primarily to unrealised losses from equities and collective investment schemes as a result of the unfavourable market environment.

Return on investments

	2018	2017
Total market	**2.81%**	**3.25%**
Life	2.35%	2.52%
Non-life	3.58%	4.06%
Reinsurance	3.15%	4.45%

Asset allocation in tied assets

	Life 2018	Life 2017	Non-life 2018	Non-life 2017
Real estate, buildings under construction and building land	17%	17%	13%	12%
Participations	1%	1%	0%	0%
Fixed-income securities	53%	57%	48%	50%
Loans and debt register claims	2%	2%	1%	1%
Mortgages	10%	10%	6%	6%
Equities and similar investments	5%	5%	7%	8%
Collective investments	3%	3%	9%	10%
Alternative investments	3%	3%	6%	5%
Net derivatives position	0%	–1%	0%	0%
Time deposits and other money market investments	0%	0%	1%	1%
Receivables from reinsurance companies	0%	0%	3%	2%
Other investments	2%	2%	1%	2%
Liquid assets	4%	1%	5%	5%
Total investments for own account	**297,989,052**	**299,390,580**	**74,083,743**	**74,950,689**

Investments in tied assets

At the end of 2018, Swiss insurance companies held a total of CHF 372 billion in tied assets (CHF 2 billion or 0.6% less than in the previous year), and a further CHF 18 billion in investments from unit-linked life insurance.

In the life insurance sector, 94% (the same as in the previous year) of aggregate investments by all life insurance companies (91% of total assets, +1 percentage point compared with the previous year) were held as tied assets at the end of 2018. In the non-life insurance sector, the figures were 48% (–2 percentage points compared with the previous year) of investments and 42% (–1 percentage point compared with the previous year) of total assets.

In 2018, life insurance companies held 80% of their tied assets in fixed-interest bonds, real estate and mortgages. In the case of non-life insurance companies, fixed-interest securities, real estate and collective investment schemes made up 75% of the tied assets.

The low market interest rates that have persisted for years are continuing. In 2018, the ten-year spot rate for federal bonds averaged –0.03% (–0.07% in the previous year) and ended the year at –0.15% (–0.10% in the previous year), altogether only slightly higher than in the previous year. Offering and managing life insurance contracts with savings components therefore continued to be a major challenge also in 2018, 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. One way in which life insurance companies are responding to this situation is by reducing their long-term guarantees.

Key figures

Gross premiums written stabilised in 2018 compared with previous years (2017: –3.7%; 2016: –5.7%), while payments for insurance claims increased by 11.2%. These relate mainly to surrender values as a result of contract terminations in the occupational pensions sector, which can be attributed to the reorientation of one market player. All other types of insurance payments remained stable. Expenditure for insurance operations decreased slightly by 0.5% (previous year –2.0%).

Investment income remained significantly below the level of the previous year at –6.2% (previous year –11.2%). Annual profits could scarcely be maintained at the previous year's level, despite the liquidation of technical provisions and after considering the other income statement items (–0.2%).

Total assets of life insurers fell by 1.1%. Investments, technical provisions and equity capital all decreased. The return on equity was 9.24% (8.52% in the previous year).

The assets that life insurers need in order to meet their insurance obligations must be secured with tied assets. The target amount is defined as 101% of the technical provisions and must always be covered with corresponding investments, which are subject to stringent guidelines. The cover ratio of tied assets indicates the amount available in that category as a percentage of the target amount. The tied assets and the risk-based solvency regime under the SST are meant to ensure a high level of security for policyholders of Swiss insurance companies.

Life insurance companies

Key figures of life insurers
(in CHF thousands)

	2018	2017	+/–
Gross premiums written	31,733,080	31,544,023	0.6%
Claims paid out	33,993,630	30,561,682	11.2%
Cost for the change in technical liabilities	–2,147,410	2,825,227	n/a
Cost for the change in other actuarial liabilities	–575,212	1,244,558	n/a
Costs for underwriting	2,169,110	2,179,817	–0.5%
Taxes	280,750	354,965	–20.9%
Gains/losses from investments	7,497,497	7,990,807	–6.2%
Annual profits	**1,395,450**	**1,398,285**	–0.2%
Balance sheet total	**348,778,418**	**352,822,600**	–1.1%
Investments	338,130,059	342,411,357	–1.3%
Technical liabilities	303,730,002	306,498,834	–0.9%
Equity (before profit allocation)	**15,109,543**	**16,411,813**	–7.9%
Return on investments	**2.35%**	**2.52%**	–0.17 pp
Return on equity	**9.24%**	**8.52%**	+0.72 pp
SST solvency ratio	**194%**	**178%**	+16 pp
Tied assets coverage ratio	**108%**	**108%**	–

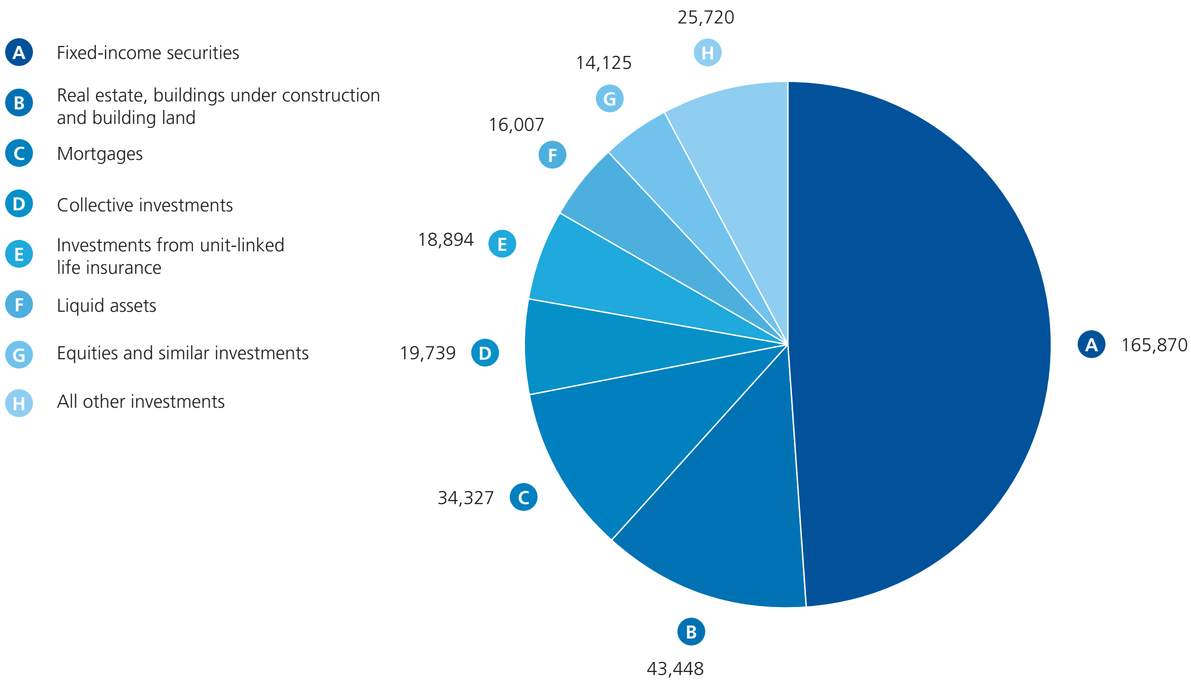
Asset allocation

Investments decreased by a total of approximately CHF 4 billion during the reporting year. The ongoing low interest rate situation caused asset allocation to shift further from fixed-interest securities to liquid assets, real estate, mortgages and equities.

Asset allocation of life insurers
(in CHF thousands)

	2018	Share	2017	Share
Real estate, buildings under construction and building land	43,448,184	13%	41,973,326	12%
Participations	4,101,279	1%	5,172,125	1%
Fixed-income securities	165,869,470	49%	181,283,812	53%
Loans and debt register claims	9,467,399	3%	9,345,338	3%
Mortgages	34,327,459	10%	33,382,238	10%
Equities and similar investments	14,124,647	4%	12,375,053	4%
Collective investments	19,738,517	6%	17,928,619	5%
Alternative investments	7,708,180	2%	8,290,137	2%
Credits from derivative financial instruments	2,836,733	1%	1,802,000	1%
Time deposits and other money market investments	–1,358,210	0%	–632,476	0%
Policy loans	290,297	0%	326,728	0%
Other investments	2,675,656	1%	4,028,557	1%
Liquid assets	16,006,832	5%	7,198,006	2%
Investments from unit-linked life insurance	18,893,616	5%	19,937,896	6%
Total investments	**338,130,059**	**100%**	**342,411,357**	**100%**

Asset allocation of life insurers 2018
(in CHF millions)



Premium trends

Premium income, consisting of periodic premiums and single premiums, remained stable in the reporting year. Because of the continuing low-interest phase, the individual life insurance business, such as traditional individual endowment and individual annuity insurance, suffered a decline. At the same time, however, the premium volume in the unit-linked life insurance sector, which is less capital intensive, increased. With CHF 22.6 billion, occupational pensions in the life insurance sector account for 71% of total gross premiums written, as in the previous year. These premiums also include vested benefits that are transferred when contracts are taken over as well as new enrolments under existing contracts, amounting to approximately CHF 11 billion.

Gross premiums written
(in CHF thousands)

	2018	2017	+/–	Percentage of total 2018
Group life occupational pension schemes	22,556,351	22,398,763	–0.7%	71.1%
Classical individual capital insurance	4,161,711	4,240,231	–1.9%	13.1%
Classical individual annuity insurance	242,483	312,815	–22.5%	0.8%
Unit-linked life insurance	1,686,381	1,664,040	1.3%	5.3%
Life insurance linked to internal investment positions	260,133	197,921	31.4%	0.8%
Capitalisation and tontines	326,841	257,886	26.7%	1.0%
Other life insurance segments	513,698	496,796	3.4%	1.6%
Individual life insurance not proratable on the branches	0	0	–	0.0%
Health and casualty insurance	4,204	4,238	–0.8%	0.0%
Foreign branches	1,647,874	1,602,928	2.8%	5.2%
Reinsurance accepted	333,404	368,405	–9.5%	1.1%
Total	**31,733,080**	**31,544,023**	**0.6%**	**100%**

Market shares in the direct Swiss business

The direct underwriting volume in Switzerland of the six largest life insurers (same as in the previous year) grew slightly by 0.9% compared with 2017. The six largest companies gained market share of 0.3% during the reporting year. Their market share therefore comes to 89.4%, with the remaining 10.6% spread among the other 13 companies, 3 of which are branches. Especially the three largest life insurers, Swiss Life AG, AXA Leben AG and Helvetia Schweizerische Lebensversicherungsgesellschaft AG, were able to increase their market share. The effect of AXA Leben AG's reorientation, which was announced during the reporting year, is not yet reflected in booked premiums, as these will only become effective from 2019.

Market shares of life insurers
(in CHF thousands)

	Premiums written 2018	Market shares 2018	Premiums written 2017	Market shares 2017
Swiss Life AG	9,173,873	30.8%	9,042,619	30.6%
AXA Leben AG	7,838,433	26.3%	7,593,969	25.7%
Helvetia Schweizerische Lebensversicherungsgesellschaft AG	3,602,142	12.1%	3,511,690	11.9%
Basler Leben AG	2,839,080	9.5%	3,014,463	10.2%
Allianz Suisse Lebensversicherungsgesellschaft AG	1,722,383	5.8%	1,743,127	5.9%
Zürich Lebensversicherungs-Gesellschaft AG	1,412,261	4.7%	1,443,127	4.9%
Six largest insurers	**26,588,173**	**89.4%**	**26,348,995**	**89.1%**

Actuarial reserves

Actuarial reserves are insurance obligations that are calculated individually per policyholder on the basis of the financial statements. They are carried in the balance sheet as the main component of technical liabilities and used for establishing the tied assets (2018: CHF 304 billion, 2017: CHF 306 billion). Other components of underwriting liabilities include increases for longevity and supplementary provisions, e.g. for losses from conversion rates or IBNR, as well as premium deposits and surplus funds.

The actuarial reserves among the life insurers amount to a total of around CHF 266 billion, or 88% of underwriting liabilities.

The principles applied when calculating the technical provisions (actuarial reserves plus other provisions) must be determined prudently. Furthermore, the biometric fundamentals must be based on accepted statistical procedures, entered in the business plan and reviewed annually against current and individual benchmarks.

The total in actuarial reserves for all insurance sectors fell by 1.0% compared with the previous year (previous year +1.2%). Unlike in the case of premiums, actuarial reserves respond sluggishly to changes in underwriting policy. For example, the actuarial reserves of a portfolio can continue to grow for a long period

Gross actuarial reserves
(in CHF thousands)

	2018	2017	+/–	Percentage of total 2018
Group life occupational pension schemes	161,160,929	161,529,781	–0.2%	60.5%
Classical individual capital insurance	50,449,509	50,599,950	–0.3%	18.9%
Classical individual annuity insurance	15,341,021	16,167,536	–5.1%	5.8%
Unit-linked life insurance	15,340,178	16,148,800	–5.0%	5.8%
Life insurance linked to internal investment positions	1,835,414	1,743,710	5.3%	0.7%
Capitalisation and tontines	2,661,892	2,726,830	–2.4%	1.0%
Other insurance segments	2,499,937	2,561,386	–2.4%	0.9%
Foreign branches	16,542,239	17,104,341	–3.3%	6.2%
Reinsurance accepted	485,936	529,378	–8.2%	0.2%
Total	**266,317,054**	**269,111,712**	**–1.0%**	**100%**

without new contracts. The slight reduction in actuarial reserves for group life occupational benefits can be attributed to AXA Leben AG's withdrawal from the full-coverage insurance sector.

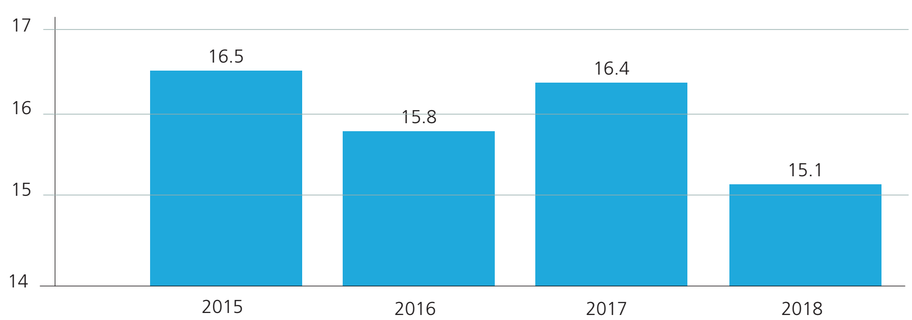
Occupational pensions make up the main part of the actuarial reserves with around 60%, followed by traditional individual endowment insurance (maturity or death) with around 19%. The shares of the other sectors are in the single-digit percentage range.

Only the actuarial reserves of life insurance linked to internal investment portfolios increased in 2018. With 0.7% (previous year 0.6%) of the total actuarial reserves, the share of this line was, however, still low.

Changes in equity capital

At the end of 2018, the equity capital base came to CHF 15.1 billion, or 5.0% of the underwriting liabilities. In contrast to the previous year, the equity base fell by CHF 1.3 billion during the reporting year. This decrease is principally due to the restructuring of the shareholding structure between the life and non-life sectors at one insurance group.

Equity capital of life insurers
(in CHF billions)



Non-life insurance companies

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

Key figures

Despite the increase in booked gross premiums in the direct non-life insurance sector (+1.6%), premiums as a whole declined significantly because of substantially lower premiums in the active reinsurance business. This was driven primarily by the non-renewal of intra-group reinsurance contracts at one insurance group.

Mostly for the same reason, claims payments and expenditure for insurance operations as well as underwriting liabilities fell compared with the previous year.

The loss ratio improved by 2.7 percentage points to 63.0%. This can be attributed to the reinsurance pre-

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

	2018	2017	+/–
Gross premiums written	44,825,577	49,241,703	–9.0%
Claims paid out	25,726,462	25,961,281	–0.9%
Cost for the change in technical liabilities	–3,344,342	597,371	n/a
Cost for the change in other actuarial liabilities	457,412	798,173	–42.7%
Costs for underwriting	8,630,573	10,097,966	–14.5%
Taxes	623,437	739,231	–15.7%
Gains/losses from investments	5,366,415	6,060,406	–11.5%
Annual profits	**6,746,946**	**5,339,225**	26.4%
Balance sheet total	**169,120,303**	**169,054,218**	0.0%
Investments	150,489,258	150,572,335	–0.1%
Technical liabilities	81,071,299	84,669,696	–4.2%
Equity (before profit allocation)	**42,951,218**	**38,987,401**	10.2%
Return on investments	**3.58%**	**4.06%**	–0.48 pp
Return on equity	**15.71%**	**13.69%**	+2.02 pp
Loss ratio	**63.0%**	**65.7%**	–2.7 pp
Expense ratio	**28.1%**	**29.2%**	–1.1 pp
Combined ratio	**91.1%**	**94.9%**	–3.8 pp
SST solvency ratio	**252%**	**231%**	+21 pp
Tied assets coverage ratio	**124%**	**129%**	–5 pp

miums accepted, where there were a lower claims burden in the property insurance sector and higher run-off profits than in the previous year. By contrast, the loss ratio increased by 1.5 percentage points in the direct non-life insurance sector.

The change in the expense ratio (improvement of 1.1 percentage points) is mainly due to the changes in the active reinsurance business mentioned above.

Investment income declined by 11.5% in 2018 and the return on investments also showed a corresponding reduction (–0.48 percentage points). This particularly affected supplementary health insurers. Due to a year-on-year improvement in the technical result, the annual profits of non-life insurance companies grew by 26.4% overall, however, leading to an increase in the return on equity by 2.02 percentage points.

Non-life insurance companies continue to experience very comfortable solvency levels, recording a further increase of 21 percentage points. In contrast, the coverage of tied assets experienced a slight decline of 5 percentage points.

Asset allocation

Asset allocation remained stable, as in previous years.

Fixed-interest securities

Investments in fixed-interest securities constituted by far the largest asset category, with approximately 67% in corporate bonds and 33% in government bonds.

Investments in shareholdings

Investments in shareholdings affected only a few insurance companies, mainly Zürich Versicherungs-Gesellschaft AG, Helvetia Schweizerische Versicherungsgesellschaft AG and AXA Versicherungen AG, with Zürich Versicherungs-Gesellschaft AG's shareholdings making up the lion's share of CHF 32.3 billion. The increase in shareholdings compared with the previous year is mainly attributable to Zürich Versicherungs-Gesellschaft AG.

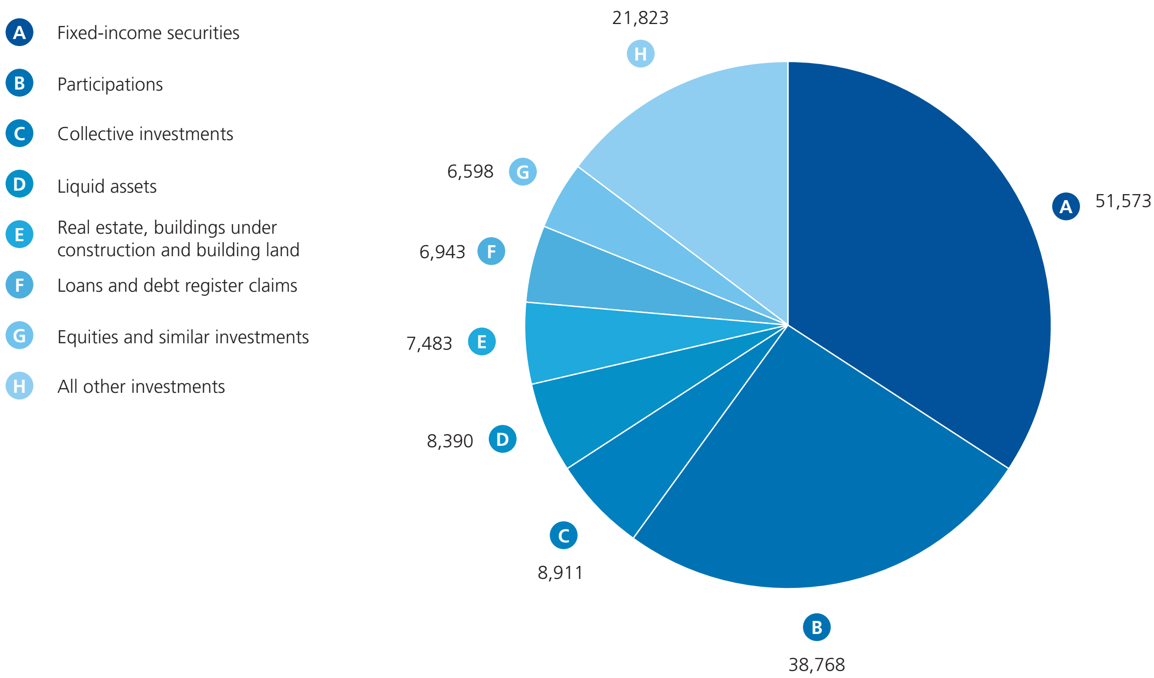
Other positions

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)

	2018	Share	2017	Share
Real estate, buildings under construction and building land	7,483,096	5%	7,379,149	5%
Participations	38,768,246	26%	36,057,005	24%
Fixed-income securities	51,573,366	34%	54,471,530	36%
Loans and debt register claims	6,943,045	5%	6,781,034	5%
Mortgages	5,334,617	4%	4,875,236	3%
Collective investments	6,598,084	4%	6,969,565	5%
Equities and similar investments	8,910,560	6%	9,447,890	6%
Alternative investments	4,581,783	3%	4,441,554	3%
Credits from derivative financial instruments	614,026	0%	615,850	0%
Time deposits and other money market investments	821,949	0%	565,851	0%
Policy loans	0	0%	0	0%
Other investments	10,470,876	7%	10,733,909	7%
Liquid assets	8,389,611	6%	8,233,762	6%
Total investments	**150,489,258**	**100%**	**150,572,335**	**100%**

Asset allocation of non-life insurers 2018
(in CHF millions)



Premium trends in the direct Swiss business

Overall, premium trends in the direct Swiss non-life insurance sector including supplementary health insurers remained stable in 2018 and recorded growth of 1.6%. Whereas premiums grew slightly faster than GDP in the previous year, they were not able to keep pace with GDP growth in 2018 (+2% in real terms). The reasons for this lie particularly in the prevailing and intense price pressure in the corporate client business for property/liability, combined with increasing price competition in the saturated private client market in general and in the household and personal liability sector in particular. Motor vehicle insurance stands out especially: for the first time in ten years, the land vehicle (comprehensive) (+1.3%) and land vehicle (liability) (–1.2%) sectors together saw lower premiums compared with the previous year (–0.2%). Besides market forces, this reflects an above-average decline in newly registered vehicles, which is also an expression of changing mobility behaviour.

Premium trends in the personal insurance, illness and accident sectors, which together made up 50.1% (previous year 49.6%) of non-life insurance business, saw the opposite: above-average increases in premium volume could be realised in both sectors, although growth in the health insurance segment was weaker than in the previous year (+2.8% compared with +4.3% in the previous year). The fact that

Gross premiums written (including health insurers)
(in CHF thousands)

	2018	2017	+/–	Percentage of total 2018
Health	10,974,087	10,675,158	2.8%	39.0%
Fire/property	4,059,873	3,987,534	1.8%	14.5%
Accident	3,118,753	3,031,477	2.9%	11.1%
Motor vehicles (comprehensive)	3,341,776	3,308,830	1.0%	11.9%
Motor vehicles (liability)	2,643,516	2,689,948	–1.7%	9.4%
Liability	1,958,755	1,976,178	–0.9%	7.0%
Marine, aviation and transport	343,450	351,611	–2.3%	1.2%
Legal expenses	607,496	618,477	–1.8%	2.2%
Financial losses	454,823	433,310	5.0%	1.6%
Credit and surety	347,710	332,425	4.6%	1.2%
Tourist assistance	253,830	243,866	4.1%	0.9%
Total	**28,104,069**	**27,648,814**	**1.6%**	**100%**

these sectors are less exposed to price competition is due to the high and increasing claims burden in recent years, which can largely be explained by rising healthcare costs. Furthermore, the health insurance sector recorded sustained growth in demand.

Data cleansing at one market participant distorted the year-on-year comparison reported in relation to the legal protection sector. In real terms, the premium volume for legal protection also experienced above-average growth of around 2.9% in 2018 thanks to a continued rise in demand.

Market shares in the direct Swiss business

Market shares among the eight main direct non-life insurance companies excluding health insurers remained constant in 2018 at 83.3%. The remaining 16.7% of the market is shared by 106 further insurance companies with their registered offices in Switzerland as well as Swiss branches of insurance companies registered outside Switzerland (4 fewer than in the previous year).

Market shares shifted only slightly among the eight largest Swiss non-life insurance companies. Schweizerische Mobiliar Versicherungsgesellschaft AG gained the largest market share, followed by AXA Versicherungen AG, Allianz Suisse Versicherungs-Gesellschaft AG and VAUDOISE GENERALE, Compagnie d'Assurances SA. By contrast, Zürich Versicherungs-Gesellschaft AG and Generali Assurances Générales SA in particular lost market share. However, these shifts do not result in any change in the respective positions of the eight largest Swiss non-life insurance companies.

Market shares of non-life insurers (without health insurers)
(in CHF thousands)

	Premiums written 2018	Market shares 2018	Premiums written 2017	Market shares 2017
AXA Versicherungen AG	3,367,533	18.6%	3,308,045	18.5%
Schweizerische Mobiliar Versicherungsgesellschaft AG	2,878,948	15.9%	2,781,660	15.6%
Zürich Versicherungs-Gesellschaft AG	2,458,572	13.6%	2,460,644	13.8%
Allianz Suisse Versicherungs-Gesellschaft AG	1,894,407	10.5%	1,848,404	10.4%
Helvetia Schweizerische Versicherungsgesellschaft AG	1,503,710	8.3%	1,501,756	8.4%
Basler Versicherung AG	1,327,107	7.3%	1,309,928	7.3%
VAUDOISE GENERALE, Compagnie d'Assurances SA	895,882	5.0%	867,910	4.9%
Generali Assurances Générales SA	753,418	4.2%	785,876	4.4%
Eight largest insurance companies	**15,079,577**	**83.3%**	**14,864,223**	**83.3%**

Claims ratios in the direct Swiss business

Despite an improvement in the number of major loss events, the claims ratio in the direct Swiss non-life business increased by 0.6 percentage points compared with the previous year to 65.2% (previous year +1.7 percentage points).

The decline in the number of loss events is particularly apparent in the motor vehicle insurance sector (land vehicle [comprehensive] and land vehicle [liability]) as well as in the fire and property damage sector. 2018 saw fewer hail and other natural hazard events than the previous year, which had a positive impact on the claims ratio in the comprehensive insurance and insurance against fire and natural hazards sectors. The decline in vehicle thefts – in 2018 the lowest value was recorded since 2009 – and a reduction in traffic accidents resulting in property damage by around 5% likewise had a positive effect on comprehensive insurance. The reduction in traffic accidents also had a positive impact on land vehicle (liability): in 2018 the claims ratio in this sector recorded its lowest value since 2014.

Besides the favourable year for natural hazards, the above-average increase in the loss ratio for fire/property damage can be attributed especially to a significant decline in the number of thefts and robberies, which reached a record low in 2018.

Loss ratios for direct Swiss business (including health insurers)

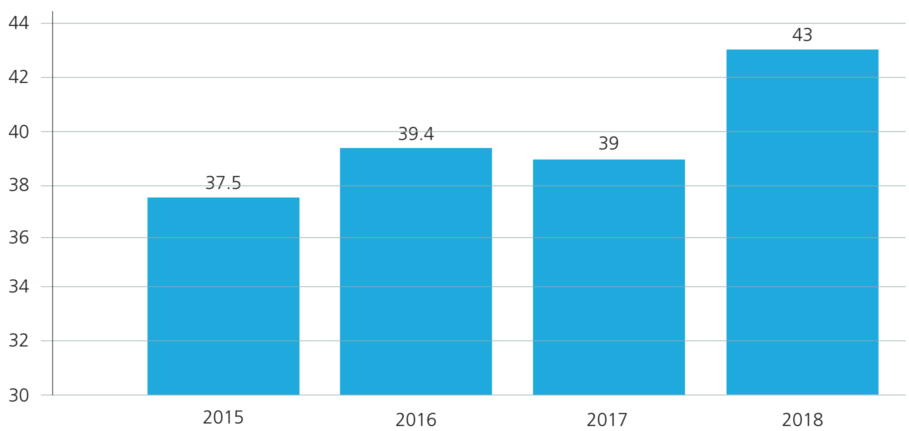
	2018	2017	+/–
Health	73.9%	75.0%	–1.1 pp
Fire/property	56.1%	55.9%	+0.2 pp
Accident	73.3%	66.6%	+6.7 pp
Motor vehicles (comprehensive)	70.5%	71.7%	–1.2 pp
Motor vehicles (liability)	38.0%	41.7%	–3.7 pp
Liability	60.2%	52.6%	+7.6 pp
Marine, aviation and transport	54.3%	42.4%	+11.9 pp
Legal expenses	57.7%	53.6%	+4.1 pp
Financial losses	63.1%	61.1%	+2.0 pp
Credit and surety	29.7%	45.5%	–15.8 pp
Tourist assistance	70.3%	73.8%	–3.5 pp
Total	**65.2%**	**64.6%**	**+0.6 pp**

A reversed trend was observed particularly in the loss ratios of the accident and legal protection, marine, aviation, transport and other pecuniary loss insurance sectors: accident insurance claims saw a significant increase in leisure accidents during the unusually hot summer of 2018. The further increase in the claims ratio for legal protection is a sign of an apparently more litigious social environment. The claims ratios of the remaining sectors with commercial and industrial risks reflect the specific volatility in relation to large contracts and major losses.

Changes in equity capital

The equity capital of non-life insurers increased again in 2018. The significant increase compared to the previous year can largely be attributed to the dividend policy within one insurance group.

Equity capital of non-life insurers
(in CHF billions)



Supplementary health insurance providers

Key figures

Total premium income increased more moderately than in the previous year by 2.7% (previous year +3.8%). It should be noted that total premium income is a mixed calculation of premium reductions and increases and also includes policyholders who take out insurance or discontinue their plan. It can therefore not be used to make any deductions about market growth. There was a certain degree of stagnation in the costs. Whereas the costs only increased marginally in the previous year, there was even a slight reduction in claims payments of 0.2% in 2018. The industry was also able to reduce the expenditure for insurance operations by 1%. Due to the negative return on investment, profit is significantly lower than in the previous year. Because the health insurers hold a significantly higher proportion of shares and funds on average compared with the other insurance companies (11% shares, 22% collective investment schemes), the negative stock market year of 2018 had a greater impact, which is reflected above all in book losses.

Key figures of health insurance companies
(in CHF thousands)

	2018	2017	+/–
Booked gross premiums	8,346,791	8,129,407	2.7%
Booked gross premiums including ISA parts of health funds	10,055,864	9,809,126	2.5%
Claims paid out	5,534,028	5,546,837	–0.2%
Costs for underwriting	1,550,738	1,566,457	–1.0%
Taxes	120,634	156,308	–22.8%
Gains/losses from investments	–23,630	576,036	n/a
Annual profits	**358,116**	**156,308**	–36.1%
Balance sheet total	**17,781,661**	**17,442,402**	1.9%
Investments	17,066,779	16,755,043	1.9%
Technical liabilities	11,245,871	10,990,083	2.3%
Equity (before profit allocation)	**3,726,797**	**3,836,849**	–2.9%
Return on investments	**–0.14%**	**3.53%**	–3.67 pp
Return on equity	**9.61%**	**14.61%**	–5 pp
SST solvency ratio	**278%**	**266%**	+12 pp
Tied assets coverage ratio	**131%**	**135%**	–4 pp

The average solvency ratio is well above the 100% target level with 278% and is therefore in a very comfortable range. The SST standard model for health insurance is currently being revised and adapted to take greater account of the specific circumstances of health insurers.

Market share in the supplementary health insurance sector

The breakdown of market share[1] shows that the eight largest health insurers wrote almost 84% of the total premium volume. There were no significant shifts among the market players in the reporting year. There is one market player less among the smaller providers: the health insurer ProVAG was definitively released from supervision in the reporting year, as its pool of insured persons was transferred to CONCORDIA Versicherungen AG in November 2017.

Market shares in supplementary health insurance
(in CHF thousands)

	Premiums written 2018	Market share 2018	Premiums written 2017	Market share 2017
Helsana Zusatzversicherungen	1,764,964	17.6%	1,771,846	18.1%
Swica Krankenversicherung	1,490,892	14.8%	1,442,071	14.7%
CSS	1,336,000	13.3%	1,264,272	12.9%
Visana	1,133,562	11.3%	1,121,826	11.4%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	1,024,094	10.2%	931,672	9.5%
Sanitas	772,762	7.7%	766,259	7.8%
CONCORDIA	570,712	5.7%	546,391	5.6%
Assura	348,271	3.5%	338,660	3.5%
Eight largest insurance companies	**8,441,257**	**84.0%**	**8,182,998**	**83.5%**

[1] The figures include all premium income generated by the categories shown (including premiums for lines offered additionally to health insurance).

Key figures

Gross premiums generated by reinsurance companies under FINMA supervision decreased significantly in 2018. They fell by over 20% to 37.5 billion francs compared with the previous year, due particularly to changes in the reinsurance business with group companies. As a result of lower claims burdens compared with the record-high levels reached in the previous year, annual profits improved from CHF 840 million to CHF 2.4 billion. The solvency ratio for reinsurers fell by 20 percentage points to 203%.

Key figures of reinsurers
(in CHF thousands)

	2018	2017	+/–
Booked gross premiums	37,465,298	49,273,479	–24.0%
Claims paid out	27,240,015	18,078,934	50.7%
Costs for the change in technical liabilities	–4,752,401	13,244,929	n/a
Costs for the change in other actuarial liabilities	203,999	–1,283,226	n/a
Costs for underwriting	11,047,291	13,684,048	–19.3%
Taxes	401,316	400,436	0.2%
Gains/losses from investments	2,876,841	4,023,827	–28.5%
Annual profits	**2,433,481**	**840,576**	189.5%
Balance sheet total	**166,313,338**	**174,781,945**	–4.8%
Investments	93,283,00	93,691,027	–0.4%
Insurance technical liabilities	98,182,306	104,009,630	–5.6%
Equity (before profit allocation)	**25,785,735**	**26,644,732**	–3.2%
Return on investments (in %)	**3.15%**	**4.45%**	–1.30 pp.
Return on equity (in %)	**9.44%**	**3.15%**	+6.29 pp
Net combined ratio, non-life (in %)	**120.5%**	**125.0%**	–4,5 pp.
Benefit ratio, life (in %)	**70.8%**	**70.0%**	+0,8 pp
Solvency ratio SST (in %)	**203%**	**223%**	–20 Pp

Reinsurance companies

Booked gross premiums fell by 24% (CHF 11.8 million) to CHF 37.5 billion.

The gross premiums of Swiss Re companies fell by around CHF 5 billion overall. Like for other companies that conduct business with US group companies, this reduction was due to the adjustment of taxation for such reinsurance contracts. The gross premiums of the other professional reinsurers fell by 30.7% to CHF 15.3 billion, while the premium volume of reinsurance captives rose slightly by 1.2% to CHF 931 million.

The balance sheet total fell by 4.8% to CHF 166.3 billion on the back of lower technical liabilities. However, the biggest item on the assets side, the investments, remained almost stable. Much lower claims expenditure, mainly due to lower catastrophe losses, resulted in annual profits improving from CHF 841 million to CHF 2.4 billion, even if this was partially offset by a lower investment result. The return on equity improved from 3.2% to 9.4%. High dividend distributions caused the solvency ratio to fall by 20 percentage points to 203%.

Asset allocation

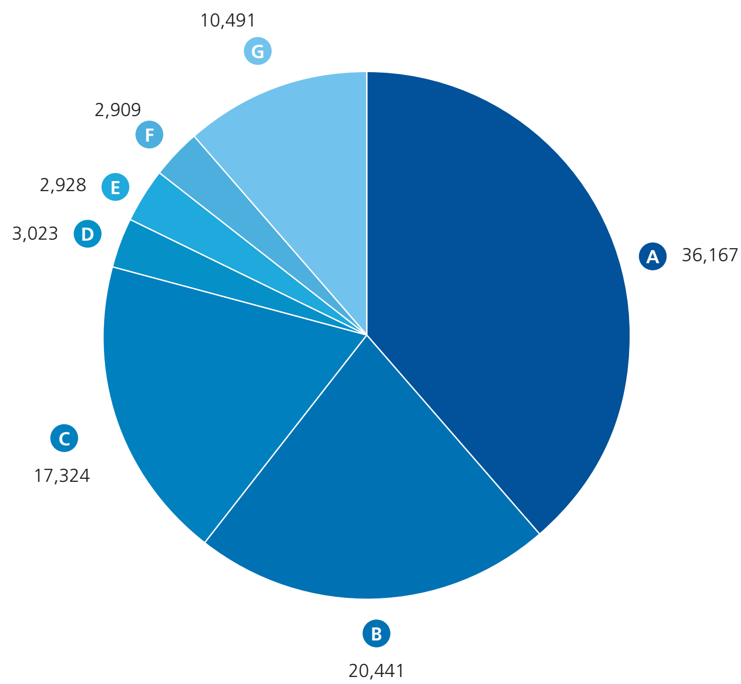
The total investment volume decreased slightly by CHF 0.4 billion to CHF 93.3 billion over the course of the year. Asset allocation remained very stable overall. Only shareholdings saw an increase from 16% to 19%. This increase led to minimal reductions of various asset classes. As in the past, shareholdings involved almost exclusively Swiss Re Group companies, which function as holding companies in addition to their operational activities.

Asset allocation of reinsurers
(in CHF thousands)

	2018	2018	2017	2017
Real estate, buildings under construction and building land	96,379	0%	76,820	0%
Participations	17,324,300	19%	15,130,328	16%
Fixed-income securities	36,167,924	39%	36,905,513	39%
Loans and debt register claims	2,908,998	3%	2,471,145	3%
Mortgages	813,234	1%	809,035	1%
Equities and similar investments	1,100,713	1%	1,662,523	2%
Collective investments	20,441,350	22%	20,794,616	22%
Alternative investments	917,603	1%	903,391	1%
Credits from derivative financial instruments	1,781,883	2%	1,719,480	2%
Time deposits and other money markets investments	2,928,420	3%	3,253,410	4%
Policy loans	0	0%	0	0%
Other investments	5,779,252	6%	7,151,799	7%
Liquid assets	3,022,944	3%	2,812,967	3%
Total investments	**93,283,000**	**100%**	**93,691,027**	**100%**

Asset allocation of reinsurers 2018
(in CHF millions)

- A Fixed-income securities
- B Collective investments
- C Participations
- D Liquid assets
- E Time deposits and other money markets investments
- F Loans and debt register claims
- G All other investments



Premium trends

In parallel with the gross premiums, net premiums also declined sharply by over 30% with the exception of premiums for catastrophe exposures. The geographical development shows a heterogeneous picture. Premiums in Europe rose slightly (6.2%), while business in the Asia/Pacific region saw a sharp increase (38.5%). Business in North America, thus far the biggest market for companies from Switzerland, fell back by 46%.

As predicted in the previous year, new US tax regulations relating to the business of group companies in the US with group companies outside the US led to comprehensive changes to intra-group reinsurance contracts, especially high-volume quota share reinsurance.

Premiums earned by reinsurers
(in CHF thousands)

	2018	2017	+/–	Percentage of total 2018
Short-tail	11,612,946	15,431,349	–24.7%	34.2%
Long-tail	8,941,633	13,813,958	–35.3%	26.3%
Catastrophes	1,988,756	1,956,470	1.7%	5.9%
Total non-life	**22,543,335**	**31,201,777**	**–27.7%**	**66.4%**
Life	11,410,122	10,320,595	10.6%	33.6%
Total net premiums	**33,953,457**	**41,522,372**	**–18.2%**	**100%**
Asia/Pacific	6,742,898	4,868,010	38.5%	19.9%
Europe	14,011,456	13,197,475	6.2%	41.3%
North America	11,748,804	21,913,633	–46.4%	34.6%
Rest of the world	1,450,298	1,543,254	–6.0%	4.3%
Total net premiums	**33,953,456**	**41,522,372**	**–18.2%**	**100%**

Claims ratios

In 2018, the loss ratio in the non-life reinsurance sector improved by 13 percentage points to 63.9%. The was due to improvements in reinsurance business with short-tail risks and in catastrophe exposure business. Claims ratios in both areas declined by over 20%. The claims ratio in reinsurance business with long-tail risks recorded only a slight increase when compared to the previous year. The frequency of major losses was substantially lower than the record-high values reported in the previous year, but was still considerable. Furthermore, the extent of the losses was initially underestimated and the year 2019 will also be burdened by this.

In the case of natural catastrophes, hurricanes in the US again had by far the biggest impact. But Asia was also hard hit by tropical cyclones and flooding. If damage caused by human beings is included, total insured losses are estimated at USD 85 billion (source: Swiss Re Institute, sigma 2/2019).

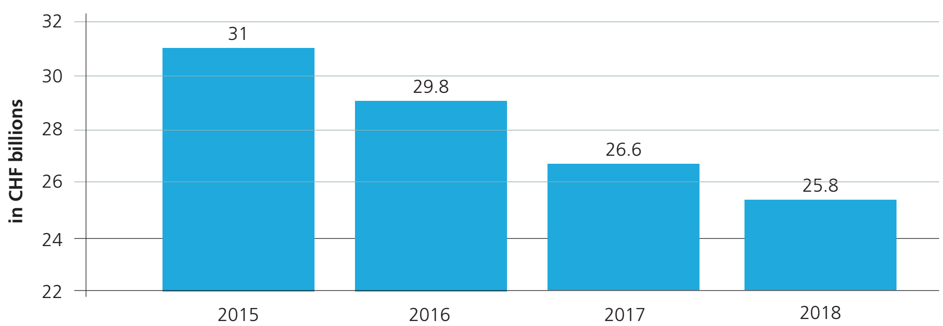
Claims ratios in non-life reinsurance business

	2018	2017	+/–
Short-tail	61.0%	81.7%	–21.7 pp
Long-tail	68.8%	71.2%	–2.4 pp
Catastrophes	59.0%	86.2%	–27.2 pp
Total	**63.9%**	**77.3%**	**–13.4 pp**

Changes in equity capital

Statutory equity capital fell by a further 3.2%, from CHF 26.6 billion to CHF 25.8 billion, compared with the previous year. Reported net profits of CHF 2.4 billion were more than offset by dividends paid out in 2018. For Swiss Re companies alone the difference was around CHF 1 billion. Compared with the previous year, equity capital at the other professional reinsurance companies remained stable at CHF 11.4 billion, while total equity capital at reinsurance captives increased by CHF 200 million to CHF 2.8 billion.

Equity capital reinsurers



Definition of terms

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
Return on equity 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 calculates as 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 the investment expenditures. The denominator is the average amount of the investments (including liabilities from derivatives and excluding investments on third-party account).

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. 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.

Abbreviations

GDP Gross domestic product
IBNR Incurred but not reported: provisions for damage that already occurred but has not been reported to the insurer
ICA Swiss Federal Act of 2 April 1908 on Insurance Contracts (Insurance Contract Act; SR 221.229.1)
ISA Swiss Federal Act of 17 December 2004 on the Supervision of Insurance Companies (Insurance Supervision Act; SR 961.01)
SST Swiss Solvency Test
UVG Swiss Federal Act of 20 March 1981 on Accident Insurance (Unfallversicherungsgesetz, SR 382.20)

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