Press release

12 December 2003

Insurance Market 2002: growth in premium income virtually halved

The Swiss private insurance market grew last year, however, growth was halved compared to 2001. This information is contained in statistics in the report for 2002 on the Swiss insurance market published by the Federal Office of Private Insurance (FOPI).

Last year premium income (gross premiums received from direct business in Switzerland) was up by some 4.3% to CHF 53 billion. Compared to 2001, growth was therefore halved. Growth came primarily from the non-equity linked individual life assurance market (+9.8%). In contrast to this, the premium income from the equity-linked life market was down 20.6%. To a large extent, this is due to the difficult climate and, linked to this, the feeling of insecurity of private investors. The cumulative result for the individual life assurance market is an increase of 4.6% (2001 + 6.8%). Group life assurance (occupational benefit funds) shows an increase of 4.8% (2001 + 4.9%). In the non-life sector, the premium income was up by 4.5% (compared to 11.1% in 2001).

In 2002, the number of providers continued to rise and this trend is continuing in the current year. On 30 September 2003, there were 198 private insurers and re-insurers subject to state supervision (compared to 193 the year before). Operating approval was granted to 7 new insurers and in 2 cases approval was withdrawn.

With 26 approved providers the number of life insurers remained the same. The number of indemnity insurers was up from 116 to 117, in the reinsurance market, numbers rose from 51 to 55.

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Developments in equity capital

The steady fall in share market values lead in 2001 to massive asset erosion in this sector. Some insurance companies had to liquidate their safety cushion built up in good years in the form of special reserves and valuation reserves. In part they also had to resort to external financing solutions in order to satisfy the regulations on equity capital monitored in accordance with the law. In the current financial year, the sector is showing an improvement in the situation relating to equity capital.

Increase of 16.7% in claims payments

In 2002, insurers (direct Swiss business) settled claims with a total value of CHF 26.6 billion, this is 16.7% up on last year. 54% of this increase was incurred in the life assurance branch, in which there was an increase of 26% in claims payments. With regard to indemnity claims, general liability should be mentioned, here claims payments are up by 51%. As was the case in the previous year, health insurance was the branch with the highest loss ratio (76.3%), followed by general liability (75.9%), motor vehicles (68.7%) and fire and insurance against damage caused by natural forces (66.5%). At the other end of the scale was guarantee and credit insurance (46.9%) and marine, aviation and transport insurance (46.3%).

Capital investments

In 2002 the largest asset category (35.1% compared with 31% last year) was fixed-interest securities. The slice of shares and investment funds in capital investments overall dropped by 5.6 percentage points to 9% (the proportion of shares and investment funds is highest in the reinsurance market [10%], followed by life insurers [9%], and indemnity insurers [just under 8%]). Investments in associated companies, equity holdings and in an entity's own stock are down slightly compared to 2001 at 16%. Way behind these come investment categories such as land and property (7.6%), time deposits (6.5%), loans on policy (6.3%) as well as mortgage claims (6.1%).

In contrast, noticeably less extreme than in 2001 were developments in capital investments in the equity-linked life market, which dropped 3.2% and consequently still represented 2.2% (2.3% in 2001) of all investments.

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Major changes in insurance supervision

FOPI looks back over a momentous year.

On 15 October 2002, the freshly elected agency director took office with the task of redirecting insurance supervision. The main thrust was that supervision should be more self-reliant and more independent from the insurance industry, as well as recognising erroneous trends in particular in the early stages and seeking to prevent them.

The director of the Federal Office of Private Insurance (FOPI) appointed a task force to support FOPI in the work on the revision of the Insurance Supervision Act. The current draft Insurance Supervision Act was subject to prompt review, including by FOPI staff, and significant elements on the reorganisation of insurance supervision were added. The work lasted from January to March 2003. On 9 May the Federal Council approved the revision for the attention of parliament. One of the most important points in the reorganisation is the possibility of calculating risk-adjusted solvency, i.e. taking account of the risks involved when determining the necessary capital requirement, in particular capital investments risks as well.

In the run-up to the new financial market authorities, the Federal Council decided to segregate the Federal Office of Private Insurance (FOPI) from the Federal Department of Justice and Police (FDJP) and to assign it to the Swiss Federal Department of Finance (FDF). This step was implemented on 1 July 2003.

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