

Circular 2016/2

Disclosure - insurers

Principles for the financial condition report

Reference: FINMA Circ. 16/2 "Disclosure - insurers"
 Date: 3 December 2015
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 Last amendment: 26 June 2024 [Modifications are indicated by an asterisk (*) and are listed at the end of the document.]
 Legal framework: FINMASA Article 7 para. 1 let. b
 ISA Articles 25, 26
 ISO Articles 111a, 203a
 FMAO-FINMA Article 2
 Appendix 1 Quantitative templates for insurance companies
 Appendix 2 Quantitative templates for insurance groups

| Addressees | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|--|----------|--------------------|----------|-------------------------------|---------------------------|--|--|----------------|------------------------|---------------------------------|--------------------|-----------------|--------------|--------|-------------------------------|--------|-----------------|---------------------------------|----------------------|-----|-----------------------------|-------------|-----------------|
| BankA | | ISA | FinIA | | | | FinMIA | | CISA | | AMLA | Other | | | | | | | | | | | | |
| Banks | | X | Portfolio managers | Trustees | Managers of collective assets | Fund management companies | Investment firms (proprietary trading) | Investment firms (non propriety trading) | Trading venues | Central counterparties | Central securities depositories | Trade repositories | Payment systems | Participants | SICAVs | Limited partnerships for CISs | SICAFs | Custodian banks | Representatives of foreign CISs | Other intermediaries | SRO | SRO-supervised institutions | Audit firms | Rating agencies |
| Financial groups and congl. | | X | | | | | | | | | | | | | | | | | | | | | | |
| Persons under Article 1b BA | | | | | | | | | | | | | | | | | | | | | | | | |
| Other intermediaries | | | | | | | | | | | | | | | | | | | | | | | | |

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I. Purpose

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

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

II. Scope of application

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

Abrogated 4*

III. General provisions

The report is formulated in such a way as to be comprehensible to the policyholders and the entitled beneficiaries. 5*

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

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

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

The report includes the annual report and the external auditor's summary report to the annual general meeting (Art. 728b para. 2 CO). 9*

If the report and the annual report are published in the same form, the report can make reference to concrete information in the annual report. 10*

The content of the report is consistent with the other published information and the reporting to FINMA. 11*

IV. Report on the financial condition of insurance companies

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| The report shall contain narrative information in both quantitative and qualitative form. It is supplemented with the quantitative templates prescribed by FINMA (see section VII). | 12* |
| When drafting the report, the insurance company takes due account of the particular features, size and complexity of the business. | 13* |
| Insurance companies in supervisory category 2 and supervised insurance groups/conglomerates with insurance companies in supervisory category 2 shall disclose information on their management of climate-related financial risks in the appropriate sections of the report. | 13.1* |
| The disclosures include the following information at a minimum: | 13.2* |
| <ul style="list-style-type: none"> • the main features of the governance structure at the insurance company to enable it to identify, evaluate, manage, monitor and report on climate-related financial risks; | 13.3* |
| <ul style="list-style-type: none"> • description of the short-, medium- and long-term climate-related financial risks and their impact on the insurance company's business and risk strategy and any effects on existing risk categories; | 13.4* |
| <ul style="list-style-type: none"> • risk management structures and processes in place to identify, evaluate and manage climate-related financial risks; | 13.5* |
| <ul style="list-style-type: none"> • quantitative information (targets and key data) on climate-related financial risks including the methodology used. | 13.6* |
| Insurance companies must disclose the criteria and methods used to evaluate the materiality of climate-related financial risks. | 13.7* |
| The structure of the report reflects the requirements set out in subsections IV.A (Business activities), IV.B (Performance), IV.C (Governance and risk management), IV.D (Risk profile), IV.E (Valuation), IV.F (Capital management) and IV.G (Solvency). | 14* |
| The report includes an introductory summary which also mentions any material changes in the reporting period in relation to the subsections specified in margin nos. 18 to 82. | 15* |
| Abrogated | 16* |
| The following provisions do not apply to insurance companies domiciled outside Switzerland: | 17 |
| <ul style="list-style-type: none"> • Section IV.C | |

- Section IV.D
- Section IV.E
- Section IV.F
- Section IV.G.

Provided that no insurance activity takes place abroad, insurers within the scope of application of Article 1c ISO (small insurers regime) and reinsurers in categories 4 and 5 may refrain from publishing detailed information on the following provisions and instead publish a summary: 17.1*

- Section IV.A
- Section IV.B
- Section IV.C
- Section IV.D concerning margin nos. 43, 44, 45, 48, 49, 50, 53
- Section IV.E
- Section IV.F

A. Business activities

The report contains at least the following information about the insurance company's business activities: 18

- information about the company's strategy, objectives and key business segments 19
- information about whether the insurance company belongs to a group and information about group transactions / business activities which are relevant for the insurance company 20
- information about major shareholders within the meaning of Article 4 para. 2 let. f. ISA 21
- a list of major branches 22
- Abrogated 23*
- significant unusual events. 24

B. Performance

The report contains at least the following qualitative and quantitative information about the insurance company's underwriting performance: 25

- information about premiums, costs, claims/benefits during the reporting period (as disclosed in the annual report) 26

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| • comparison with the corresponding information from the previous reporting period | 27 |
| • remarks on the above information in the segmentation as provided in the quantitative template "Performance Non-Life Solo", "Performance Life Solo" and "Performance Solo Reinsurance". | 28* |
| The report contains at least the following qualitative and quantitative information about the insurance company's financial performance: | 29 |
| • information about income and expenses from/for investments during the reporting period (as disclosed in the annual report), by asset class | 30 |
| • comparison with the corresponding information from the previous reporting period | 31 |
| • remarks on the above information | 32 |
| • information about profits and losses recognised directly in equity. | 33 |
| The report contains information about other material income and expenses during the reporting period and a comparison with the corresponding information from the previous reporting period. | 34 |
| C. Corporate governance and risk management | |
| The report contains, at minimum, information about the composition of the board of directors and executive board of the insurance company and any changes during the reporting period. | 35 |
| The report contains at least the following information about the insurance company's risk management: | 36 |
| • Description of the system used, including risk strategies, methods and processes | 37 |
| • Description of the Risk Management, Internal Audit and Compliance functions and their implementation in the insurance company | 38 |
| • Material changes in risk management during the reporting period | 39 |
| The report contains a general description of the internal control system implemented at the insurance company. | 40 |
| D. Risk profile | |
| The report contains qualitative and quantitative information about the insurance company's risk profile: | 41 |

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| The information is broken down into the following risk categories: | 42 |
| • Insurance risk | 43 |
| • Market risk | 44 |
| • Credit risk | 45 |
| • Operational risk (at minimum, qualitative information) | 46 |
| • Other material risks (at minimum, qualitative information). | 47 |
| The report contains at least the following information about the insurance company's risk exposure during the reporting period, including its exposure due to material off-balance-sheet positions and risks transferred to special purpose vehicles (SPVs): | 48 |
| • Description of the material risks to which the company is exposed, including any material changes during the reporting period | 49 |
| • Description of the measures taken to assess these risks within the company, including any material changes during the reporting period. | 50 |
| The report also contains: | 51 |
| • A description of the material risk concentrations to which the insurance company is exposed. | 52 |
| • A description of the tools used to reduce risk and of the processes used to monitor the ongoing effectiveness of these tools. | 53 |
| E. Valuation | |
| The report contains at least the following information about the market-consistent asset valuation, as used for solvency purposes: | 54 |
| • Value of the assets, broken down by asset class (as per the breakdown in the quantitative templates) | 55 |
| • Description of the basis and methods used for the valuation | 56 |
| • For each asset class, quantitative and qualitative explanatory notes if there are significant discrepancies in the basis and methods between the valuation for solvency purposes and the valuation for the annual report. | 57 |
| The report contains at least the following information about the market-consistent valuation of provisions for insurance obligations, as used for solvency purposes: | 58 |

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| • Gross and net value of the provisions for insurance obligations | 59 |
| • Description of the basis, methods and key assumptions used in the valuation | 60 |
| • Quantitative and qualitative explanatory notes if there are significant discrepancies in the basis, methods and key assumptions between the valuation for solvency purposes and the valuation for the annual report. | 61 |
| The report contains at least the following information about the risk margin: | 62 |
| • Value of the risk margin and of the other effects on target capital | 63 |
| • Description of the basis, methods and key assumptions used. | 64 |
| The report contains at least the following information about the market-consistent valuation of other liabilities, as used for solvency purposes: | 65 |
| • Value of provisions for other liabilities | 66 |
| • Description of the basis, methods and key assumptions used in the valuation. | 67 |
| F. Capital management | |
| The report contains at least the following information about the insurance company's capital management: | 68 |
| • Goals, strategy and time horizon for capital planning | 69 |
| • Structure, level and quality of the equity capital reported in the annual report | 70 |
| • Description of any material changes during the reporting period | 71 |
| • Quantitative and qualitative explanatory notes if there are significant discrepancies between the equity capital reported in the annual report and the difference between the assets and liabilities based on a market-consistent valuation, as used for solvency purposes. | 72 |
| G. Solvency | |
| The insurance company provides information about its choice of solvency model. Where applicable, it justifies its choice of an internal model, describes the model's salient features, and indicates whether it has been approved by FINMA. | 73 |
| The report contains at least the following information about the target capital (with explanatory notes): | 74 |

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| • Breakdown of target capital into its key components | 75 |
| • Breakdown of market risk and insurance risk into their key components | 76 |
| • Comparison with the corresponding information from the previous reporting period. | 77 |
| The report contains at least the following information about the risk-bearing capital (with explanatory notes): | 78 |
| • Breakdown of risk-bearing capital into its key components | 79 |
| • Comparison with the corresponding information from the previous reporting period | 80 |
| The insurance company comments on its reported solvency. | 81 |
| In its report, the insurance company notes that the current information about solvency (risk-bearing capital, target capital) is identical to the information which it has submitted to FINMA and, where appropriate, that it is subject to regulatory audit. | 82 |

V. Report on the financial condition of supervised insurance groups/conglomerates

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| Abrogated | 83*-84* |
| The report of supervised insurance groups/conglomerates contains the following additional information. | 85* |
| • In relation to business activities: | 86 |
| • Description of the legal structure | 87* |
| • Listing of the main subsidiaries and shareholdings showing the qualitative or quantitative shareholding structure | 88 |
| • Listing of branches with a significant share of the business in relation to the parent company | 89 |
| • Quantitative and qualitative information about special purpose vehicles (e.g. risk transfer and capital transfer companies) and joint ventures. | 90 |
| • In relation to performance: | 91 |
| • Quantitative information about key markets (in terms of premium volumes) | 92 |
| • Qualitative information about relevant group activities / transactions. | 93 |

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| • In relation to risk profile: | 94 |
| • Qualitative and quantitative information about significant risk concentrations at group level. | 95 |
| • In relation to capital management: | 96 |
| • Listing of main subsidiaries | 97 |
| • Documentation of changes to equity capital, if not already published in the annual report | 98 |
| • Explanatory notes about the capitalisation structure, in particular about hybrid, contingent and mezzanine capital. | 99 |

VI. Overall financial condition report

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| Insurance groups/conglomerates which are supervised in Switzerland can publish an overall report | 100* |
| The overall report presents the required information separately for the individual insurance companies and for the insurance group/conglomerate. | 101* |

VII. Quantitative templates

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| FINMA defines quantitative templates for the reports of insurance companies (see appendix 1) and supervised insurance groups/conglomerates (see appendix 2). | 102* |
| The quantitative templates "Simplified SST balance sheet" and "Solvency" do not apply to insurance companies domiciled outside Switzerland or which refrain from publishing detailed information under margin no. 17.1. | 103* |
| The quantitative templates contain information about the reporting period, the previous reporting period and, where necessary, any interim adjustments. | 104 |

VIII. Responsibility (sign-off)

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| The executive body charged with the management, supervision and control of the company is responsible for the report and signs off its disclosure within the meaning of this circular. The general agent signs off the report for branches of insurance companies domiciled outside Switzerland. | 105* |
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IX. Publication requirements and deadlines

Abrogated 106*-107*

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

Abrogated 109*-112*

The reasoned request for an exemption or exception from publication must be submitted to FINMA no later than 30 days after the end of the reporting period. An exemption from the publication requirement may be limited in particular to individual sections of the report, the frequency of publication or in its entirety. The exemption or exception from the publication requirement applies from the date of FINMA's decision. 113*

Abrogated 114*-115*

X. Abrogated

Abrogated 116*-118*

This Circular has been modified as follows:

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

modified margin no. 28

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

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

These modifications were adopted on 26 June 2024 and will enter into force on 1 September 2024.

new margin no. 17.1

modified margin nos. 1, 2, 3, 5, 9, 10, 11, 12, 13, 13.1, 15, 54, 58, 65, 72, 85, 87, 100, 101, 102, 103, 105, 108, 113

abrogated margin nos. 4, 16, 23, 83, 84, 106, 107, 109, 110, 111, 112, 114, 115, 116, 117, 118

other changes title before margin no. 83 (change), title before margin no. 115 (abrogation)

The Appendixes to the Circular have been modified as follows:

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

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

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

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

These modifications were adopted on 26 June 2024 and will enter into force on 1 September 2024.

modified Appendix 1: Templates "Market-consistent balance sheet (solo)" and "Solvency (solo)"
Appendix 2: Templates "Market-consistent balance sheet (group)" and "Solvency (group)"