



Placement

under group or conglomerate supervision

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1. General principles

According to article 64 of the Insurance Supervision Law (ISL), an insurance group is formed by two or more undertakings if at least one of them is an insurance undertaking, they operate as a whole primarily in the insurance sector, and they constitute an economic unit or are otherwise linked to each other through influence or control.

According to article 72 ISL, an insurance conglomerate is formed by two or more undertakings if at least one of them is an insurance undertaking, at least one of them is a bank or a securities broker of substantial economic significance, they operate as a whole primarily in the insurance sector, and they constitute an economic unit or are otherwise linked to each other through influence or control.

According to articles 65 and 73 of the ISL, the supervisory authority may place an insurance group or an insurance conglomerate which has an undertaking in Switzerland under group or conglomerate supervision, supplemental to individual supervision. As a precondition, the insurance group or conglomerate must effectively be directed from Switzerland, or it must effectively be directed from a foreign country but not be subject to equivalent group or conglomerate supervision in that country.

With this discretionary provision, the legislative power has given FOPI, as the executing authority, latitude of judgement with respect to the Swiss supervision of groups and conglomerates. It is therefore the responsibility of FOPI to define applicable criteria for placement under supervision, to be applied on a case-by-case basis.

These criteria and the procedure for placing groups and conglomerates under supervision are described in this guideline.

2. Supervision of insurance groups

The criteria for placing insurance groups under supervision can be derived especially from the following objectives of supervision: Securing solvency, securing financial stability, and preventing distortions of the market or of competition.

Moreover, these rules supplemental to individual supervision must be applied taking the principle of proportionality into account.

Based on these considerations, groups are therefore placed under supervision if they fulfil the following criteria:

- **International groups**
In the case of large, internationally operating insurance groups, the supervisory authority can only comprehensively perform its function if, in addition to information on the individual companies in its country, it also obtains an overview of the mutual influence of all undertakings within a group.
- **Complex group structures**
Additional supervision is necessary and appropriate if the group has a complex structure. Complex structures arise from the number and nested relationships of the involved undertakings, and from the breadth of business parts covered.

If, on the basis of the above criteria, FOPI decides to place a group under supervision, the insurance group is notified of this decision and placed under group supervision by way of an individual decree. In accordance with article 191, paragraph 3 of the Supervision Ordinance (SO), the supervisory authority names the undertaking that shall serve as a contact with respect to the responsibilities of the insurance group under supervision law.

Subsequently, the supervised insurance group must fulfil the applicable norms in accordance with articles 64 to 71 ISL, articles 191 to 203 SO, and the specific directives.

3. Supervision of insurance conglomerates

Supplemental placement under conglomerate supervision is based on the criteria of group supervision. Additionally, the characteristic of substantial economic significance of the financial part (especially banks and securities brokers) for the conglomerate must be fulfilled. This is assessed in accordance with the following criteria:

The entire financial part of a conglomerate must reach or exceed the following threshold values:

- a) the balance sheet total of the financial part must amount to more than 10% of the balance sheet total of the conglomerate; and
- b) the capital requirements for the financial part must amount to more than 10% of the solvency requirements at the conglomerate level.

An insurance conglomerate may also be placed under supervision if:

- c) the balance sheet total of the financial part is greater than CHF 5 billion (thousand million); or
- d) other important reasons justify placement of the conglomerate under conglomerate supervision.

If, on the basis of the above criteria, FOPI decides to place a conglomerate under supervision, the insurance conglomerate is notified of this decision and placed under conglomerate supervision by way of an individual decree. In accordance with article 204 SO in conjunction with article 191, paragraph 3 SO, the supervisory authority names the undertaking that shall serve as a contact with respect to the responsibilities of the insurance conglomerate under supervision law.

Subsequently, the supervised insurance conglomerate must fulfil the applicable norms in accordance with articles 72 to 79 ISL, articles 204 to 206 SO, and the specific directives.

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