

## Press release

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### **FINMA proceedings concluded: Groupe Mutuel in serious breach of supervisory law**

The Swiss Financial Market Supervisory Authority FINMA has concluded its enforcement proceedings against Groupe Mutuel. The wide-ranging investigation found that group companies active in the supplementary health insurance business had inadequate corporate governance standards and did not comply with the legal requirements for binding business plans. Groupe Mutuel was therefore in serious breach of supervisory law. Having already ordered Groupe Mutuel to correct unlawfully levied premiums and to make changes to the composition of its board in 2014, FINMA has now imposed an 18-month acquisition ban on the Group. FINMA acknowledges that the Group's new management has already taken a number of measures. Throughout the enforcement proceedings, Groupe Mutuel displayed cooperation.

Having stepped up its supervisory activities in supplementary health insurance, FINMA launched enforcement proceedings against Groupe Mutuel companies in March 2014. The proceedings did not cover any companies or services offered in general health insurance.

#### **Focus on business plans (premiums) and corporate governance**

FINMA investigations focused on compliance with business plans and, in particular, on premiums not approved by FINMA (see [fact sheet](#)). It also examined corporate governance standards within the Group and at individual group companies. FINMA concluded these proceedings in June 2015.

#### **Severe breach of business conduct requirements**

FINMA found that over a number of years Groupe Mutuel had levied unapproved premiums, thereby failing to comply with business plans approved by FINMA. This meant that the premiums levied were too high or that high discounts were guaranteed. The companies concerned remedied this shortcoming in 2014 following FINMA's intervention (see [press release](#)).

In the area of supplementary health insurance business requiring authorisation, FINMA investigations also uncovered a number of corporate governance deficiencies at individual group companies and within the Group, including owner foundations. Individual group companies were so interconnected in terms of both personnel and organisation that the business they conducted was not effectively controlled and conflicts of interest posed difficulties. Significant shortcomings were detected in the following areas in particular:

- segregation of duties
- effectiveness of risk management and control functions
- extensive accumulation of functions at ultimate management level and at group companies, including their owner foundations
- internal cost allocation and financial transactions
- appropriateness of the compensation system.

**Inappropriate compensation system for management:** FINMA also found that the company's compensation system was not designed to ensure its long-term success. Instead, owing to a lack of consistent standards and controls, it favoured the interests of some individuals disproportionately. Moreover, the compensation system was complex and lacking in transparency. The Group's new management fully amended the compensation system in 2014.

#### **Conclusion and measures imposed by FINMA**

FINMA concluded that Groupe Mutuel had severely breached business conduct requirements over an extended period and had thus violated supervisory law. FINMA has now imposed the following measures:

- **acquisition ban on new client portfolios:** Owing to Groupe Mutuel's organisational shortcomings, FINMA has prohibited the company from acquiring new client portfolios by means of mergers and acquisitions until the end of 2016.
- **new tariff inspection under supervisory law:** All Groupe Mutuel companies active in supplementary health insurance must submit their tariffs to FINMA for inspection by February 2016.
- **handling of severance payments:** FINMA requires Groupe Mutuel to prevent the payment of disproportionate severance settlements to former members of ultimate management.

**Measures already taken:** Groupe Mutuel displayed cooperation during the enforcement proceedings. The Group's new management has introduced a number of corrective measures ordered by FINMA, some of which have already been implemented. The companies concerned quickly reimbursed unlawfully levied premiums and unapproved tariffs (see [press release](#)). Groupe Mutuel has strengthened compliance, introduced group-wide risk management and amended the management compensation system.

**Criminal complaints:** Already in September 2014, FINMA had required Groupe Mutuel to change the composition of its board. FINMA's investigation also found indications that criminal offences may have been committed and will therefore file a criminal complaint with the competent authorities. This does not concern any of the governing bodies that manage the companies supervised by FINMA.

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