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 2019

Foreword

This report provides an overview of the Swiss insurance market in 2019. 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.

Since the 2019 annual survey, FINMA has collected supervisory data from insurance companies using a revised chart of accounts. It has updated the structure used in previous years to reflect the classification rules set out in the FINMA Insurance Supervision Ordinance and the most recent financial reporting standards defined in the Swiss Code of Obligations. Since, inter alia, insurance reserves, ceded are now reported as part of the assets (previously liabilities) and liquid assets as well as amounts due from derivative financial instruments no longer form part of the investments, some of the key figures published in the insurance market report 2018 such as the total assets, the investments, the underwriting liabilities, the gains on investments, the return on investments and the information on asset allocation differ from the previous year's figures provided in this report.

As announced in last year's report, since the 2019 annual survey, this report includes information on the group life reporting for occupational pension schemes of life insurance companies for the first time and replaces the transparency report on occupational pensions. The information on the group life reporting for occupational pension schemes of life insurance companies can be found in "Life insurance companies" section under "Group life reporting for occupational pension schemes".

The data reported to FINMA by the insurance companies have been included in this report and on the insurers' reporting portal. FINMA does not, however, guarantee the accuracy of these figures.

Contents

Total market

Supervised insurance companies and sectors

Overview of supervised insurance companies and sectors 2018–2019

	2019	2018
Life insurers, including	19	19
– insurance companies domiciled in Switzerland	16	16
– branches of foreign insurance companies	3	3
Non-life insurers, including	118	114
– insurance companies domiciled in Switzerland (of which 18 supplementary health insurance companies [2018: 18])	72	70
– branches of foreign insurance companies (of which 2 supplementary health insurance providers [2018: 2])	46	44
Reinsurers (total)	50	54
– Reinsurers	25	27
– Reinsurance captives	25	27
– General health insurance companies offering supplementary health cover	11	12
– Total number of supervised insurance companies and general health insurance companies	198	199
– Insurance groups and conglomerates	6	6

Key figures

Swiss insurance companies achieved aggregate annual profits of CHF 15.2 billion in 2019, which represents a 44% increase over the previous year. While life insurers reported a moderate increase in their annual profits (+8% to CHF 1.5bn), non-life insurers experienced a real jump in profits of CHF 3.3 billion or 49% to CHF 10.1 billion. Markedly higher gains from investment activity compared with the previous year were principally responsible for the improved annual results. Reinsurers were able to increase their annual profits from CHF 2.4 billion in the previous year to CHF 3.6 billion in the year under review (+49%).

Swiss insurance companies' equity increased by CHF 3.9 billion or 4.7% overall to CHF 87.8 billion in the 2019 financial year, while the return on equity was 17.34%, an increase of 4.73 percentage points compared with the previous year.

Key figures of total market 2018–2019

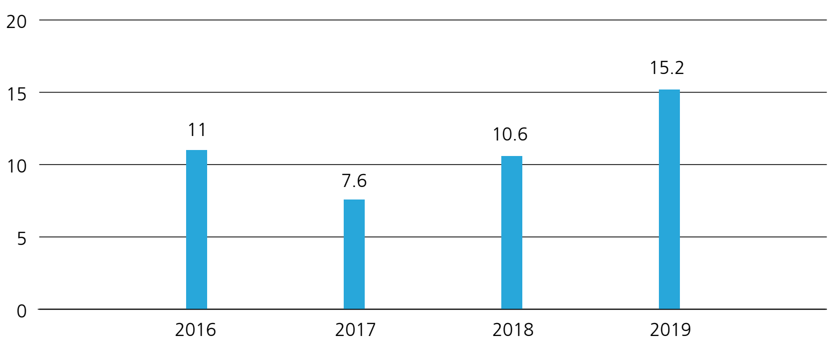
(in CHF thousands)	2019	2018	+/– in %
Gross premiums written	129,167,737	114,023,955	13.3
Claims paid out	100,152,287	86,960,107	15.2
Cost for the change in technical liabilities	–13,753,834	–10,244,153	34.3
Cost for the change in other actuarial liabilities	2,673,598	86,199	n/a
Costs for underwriting	24,592,378	21,846,974	12.6
Taxes	1,770,293	1,305,503	35.6
Gains/losses from investments	24,941,028	15,593,881	59.9
Annual profits	**15,219,352**	**10,575,877**	43.9
Balance sheet total	**712,205,273**	**713,353,874**	–0.2
Investments	541,749,470	546,858,131	–0.9
Technical liabilities	505,507,542	512,125,422	–1.3
Equity (before profit allocation)	**87,759,710**	**83,846,496**	4.7

	2019 in %	2018 in %	+/– percentage points
Return on investments	**4.76**	**2.92**	+1.84
Return on equity	**17.34**	**12.61**	+4.73
SST solvency ratio	**226**	**219**	+7
Tied-assets coverage ratio	**112**	**111**	+1

The cover ratio of tied assets rose by 1 percentage point during the reporting year and was 112% at year end. The solvency ratio according to the Swiss Solvency Test was 226%, an increase of 7 percentage points compared with the previous year.

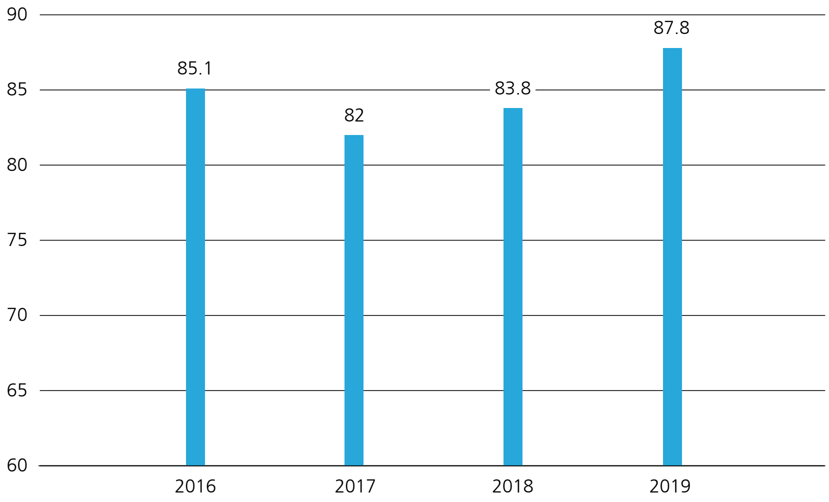
Annual profits total market

(in CHF billions)



Equity capital total market

(in CHF billions)



Investments

The following section provides information about total assets and the return on investments of total assets as reported by Swiss insurance companies in 2019.

Total assets invested

Total investments by Swiss insurance companies fell by 0.9% in 2019 and amounted to CHF 541.8 billion at the end of the year. Life insurance companies fell by CHF 12.8 billion (4%) to CHF 307.8 billion, while non-life insurance companies increased slightly and amounted to CHF 142.3 billion at the end of the year. Investments by reinsurers increased by 7.1% to CHF 91.6 billion.

Distribution of total assets

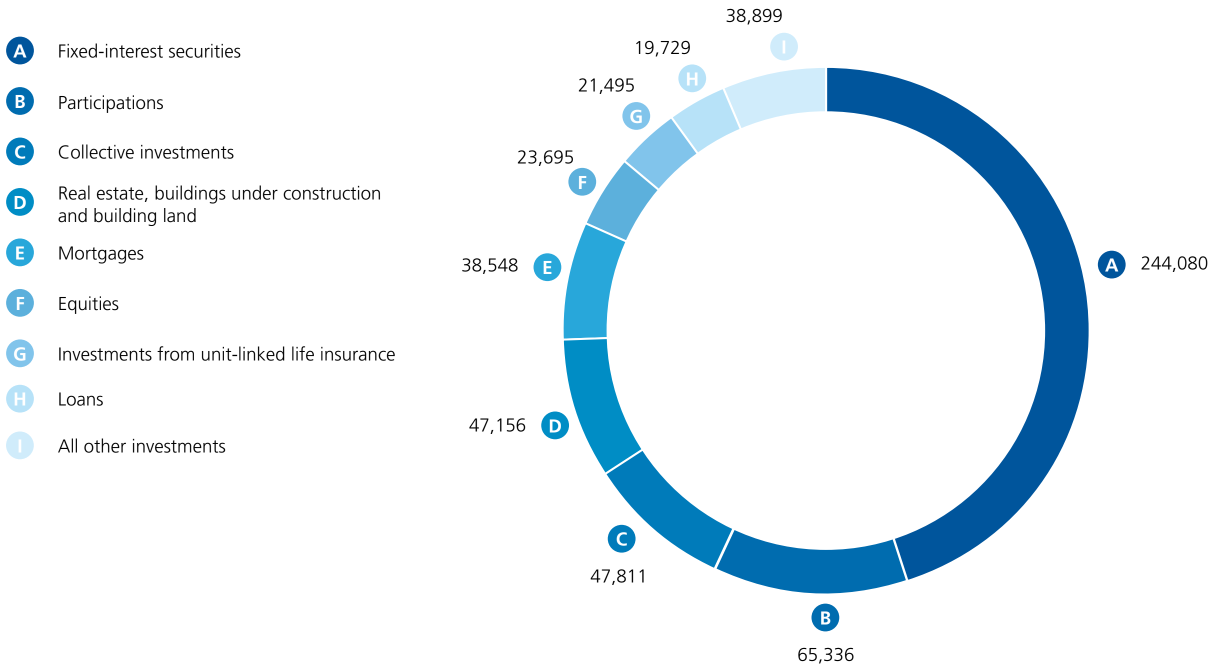
The low interest rate environment resulted in a further decline in fixed-interest investments in the portfolio of Swiss insurance companies. However, they remained the dominant asset class, making up 45% of total investments. Life insurers held 50% (–2 percentage points compared with the previous year) while non-life insurers held 35% (–2 percentage points compared with the previous year) and reinsurers held 42% (unchanged) of their total assets in fixed-interest securities. Real estate and mortgages decreased in the year under review, while the value of reported alternative investments and participations increased.

Asset allocation in total market

(in CHF thousands)	2019	2019 in %	2018	2018 in %
Real estate, buildings under construction and building land	47,156,143	9	51,027,658	9
Participations	65,336,316	12	60,193,825	11
Fixed-interest securities	244,079,530	45	253,636,675	46
Loans	19,729,486	4	19,609,740	4
Mortgages	38,547,746	7	40,475,310	7
Equities	23,695,200	4	22,768,523	4
Collective investments	47,810,923	9	49,090,428	9
Alternative investments	16,822,734	3	13,207,567	3
Other investments	17,076,771	3	17,939,442	3
Investments from unit-linked life insurance	21,494,621	4	18,903,963	4
Total investments	**541,749,470**	**100**	546,858,131	100

Asset allocation in total market 2019

(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 was 2.94% in 2019, an increase of 51 basis points compared with the previous year, while non-life insurers won 298 basis points, achieving a return of 6.75% on their investments. The realised gains from shares were able to be increased significantly due to the favourable market conditions, while non-life insurance companies also benefited from increased direct profits from participations. Among the reasons why non-life insurers achieved a higher return on investments compared to life insurers is the substantial proportion of foreign investments they hold in their capital portfolios. While life insurance companies held 92% of their investments, liquid assets and derivative financial instruments in tied assets, this share amounted to 50% for non-life insurance companies. The return on investments for reinsurers rose by 435 basis points to 7.62% in 2019. The main reason for the significantly higher return on investments compared with the previous year is increased direct profits from participations.

Return on investments of total assets

in %

	2019	2018
Total market	4.76	2.92
Life insurers	2.94	2.43
Non-life insurers	6.75	3.77
Reinsurers	7.62	3.27

Life insurance companies

The low market interest rates that have persisted for years are continuing. In 2019, the ten-year spot rate for federal bonds averaged –0.49% (+0.03% in the previous year) and ended the year at –0.46% (–0.15% in the previous year), altogether lower than in the previous year. Offering and managing life insurance contracts with savings components therefore continued to be a major challenge also in 2019, 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 premium volume remained relatively stable with a slight increase by 0.9%, while payments for insurance cases increased by 57.5%. These relate mainly to surrender values as a result of contract terminations in the occupational pensions sector, which can be attributed to AXA Leben's withdrawal from full coverage insurance. All other types of insurance payments remained stable. Expenditure for insurance operations increased slightly by 0.9% following two years with a slight reduction (2018: –0.5%; 2017: –2.0%).

Investment income was better in 2019 than in the previous year (+15.6%). This largely explains the improvement in the annual profits (+8.6%). Total assets of life insurers fell by 6.1%. Investments, technical provisions and equity capital all decreased. The return on equity was 10.53% (2018: 9.24%; 2017: 8.52%).

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 (see page 10).

Key figures of life insurers

(in CHF thousands)	2019	2018	+/– in %
Gross premiums written	32,021,906	31,733,080	0.9
Claims paid out	53,552,911	33,993,630	57.5
Cost for the change in technical liabilities	–18,586,892	–2,147,410	n/a
Cost for the change in other actuarial liabilities	1,661,206	–575,212	n/a
Costs for underwriting	2,189,347	2,169,110	0.9
Taxes	586,285	280,750	108.8
Gains/losses from investments	8,644,577	7,475,529	15.6
Annual profits	**1,515,566**	**1,395,450**	8.6
Balance sheet total	**328,614,666**	**349,968,710**	–6.1
Investments	307,833,742	320,644,704	–4.0
Technical liabilities	286,417,530	304,920,294	–6.1
Equity (before profit allocation)	**14,398,672**	**15,109,543**	–4.7

	2019 in %	2018 in %	+/– percentage points
Return on investments	2.94	2.43	+0.51
Return on equity	10.53	9.24	+1.29
SST solvency ratio	201	194	+7
Tied-assets coverage ratio	109	108	+1

Asset allocation

Investments fell significantly, although this was the result of several opposing effects. A positive development in the investment portfolio was counteracted by the one-off impact of AXA Leben's withdrawal from full coverage insurance in occupational pensions, which led to a significant decrease in its investment portfolio.

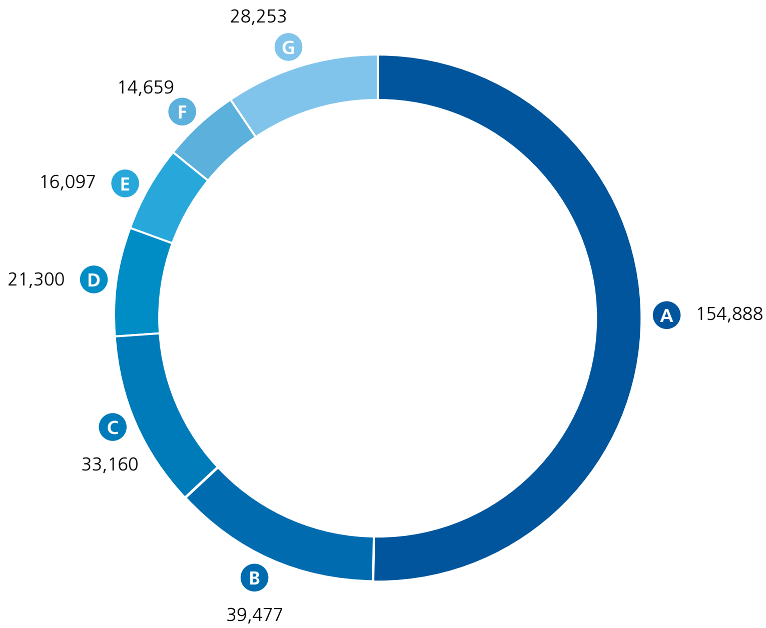
Asset allocation of life insurers

(in CHF thousands)	**2019**	**2019 in %**	2018	2018 in %
Real estate, buildings under construction and building land	39,476,828	13	43,448,184	14
Participations	5,779,301	2	4,101,279	1
Fixed-interest securities	154,888,291	50	165,891,120	52
Loans	9,126,159	3	9,757,696	3
Mortgages	33,159,920	11	34,327,459	11
Equities	14,659,117	5	14,105,939	4
Collective investments	16,096,899	5	19,738,517	6
Alternative investments	10,673,308	3	7,708,180	2
Other investments	2,674,333	1	2,672,714	1
Investments from unit-linked life insurance	21,299,586	7	18,893,616	6
Total investments	**307,833,742**	**100**	320,644,704	100

Asset allocation of life insurers 2019

(in CHF millions)

- A Fixed-interest securities
- B Real estate, buildings under construction and building land
- C Mortgages
- D Investments from unit-linked life insurance
- E Collective investments
- F Equities
- G All other investments



Premium trends

Total premium income, consisting of periodic premiums and one-off contributions, remained stable overall in the year under review. Regular premiums fell as a result of AXA Leben's withdrawal from full coverage insurance in the occupational pensions sector, although this was largely offset by one-off contributions at other insurance companies. Despite the continuing low-interest phase, the individual life insurance business, such as traditional individual endowment and individual annuity insurance, was able to recover again compared to the previous year. The premium volume in the unit-linked life insurance sector, which is less capital intensive, continued to increase. With a share of almost 69%, occupational pensions in the life insurance sector dominate the Swiss market. However, these premiums also include vested benefits that are transferred when contracts are taken over as well as new enrolments under existing contracts.

Gross premiums written

(in CHF thousands)	2019	2019 in %	2018	+/– in %
Group life occupational pension schemes	22,050,003	68.9	22,556,351	–2.2
Classical individual capital insurance	4,680,753	14.6	4,161,711	12.5
Classical individual annuity insurance	519,055	1.6	242,483	114.1
Unit-linked life insurance	1,812,371	5.7	1,686,381	7.5
Life insurance linked to internal investment portfolios	406,113	1.3	260,133	56.1
Capitalisation and tontines	232,514	0.7	326,841	–28.9
Other life insurance segments	221,106	0.6	513,698	–57.0
Health and casualty insurance	4,178	0.0	4,204	–0.6
Foreign branches	1,717,302	5.4	1,647,874	4.2
Reinsurance accepted	378,511	1.2	333,404	13.5
Total	**32,021,906**	**100.0**	**31,733,080**	**0.9**

Market shares in the direct Swiss business

The direct underwriting volume in Switzerland of the six largest life insurers grew very slightly by 0.4% compared with 2018 to 89.8%. AXA Leben now occupies the fourth place in the list of the six largest life insurers as a result of its withdrawal from full coverage insurance in the occupational pensions sector (second place in the previous year). The other five large life insurers, on the other hand, succeeded in gaining market shares.

The significant increase in Swiss Life's market share can be partially explained by a one-off effect, since by taking over a large share of full-coverage insurance contracts it was also able to report the associated one-off contributions to retirement savings.

Market shares of life insurers

(in CHF thousands)	**Premiums written 2019**	**Market shares in % 2019**	Premiums written 2018	Market shares in % 2018
Swiss Life	13,049,060	43.6	9,173,873	30.8
Helvetia Leben	3,639,590	12.2	3,602,142	12.1
Basler Leben	3,575,069	11.9	2,839,080	9.5
AXA Leben	3,182,754	10.6	7,838,433	26.3
Allianz Suisse Leben	1,873,505	6.3	1,722,383	5.8
Zürich Leben	1,544,423	5.2	1,412,261	4.7
The six largest insurers	**26,864,401**	**89.8**	**26,588,173**	**89.4**

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 (2019: CHF 286 billion; 2018: CHF 305 billion) and used for establishing the tied assets. Other components of underwriting liabilities include increases for longevity and supplementary provisions, e.g. for losses from conversion rates or IBNR[1], as well as premium deposits and surplus funds.

The actuarial reserves among the life insurers amount to a total of around CHF 249 billion, or 87% of underwriting liabilities. Actuarial reserves fell by 6.4% or CHF 17 billion in absolute terms compared with the previous year, which can be attributed to AXA Leben's withdrawal from full coverage insurance.

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.

Occupational pensions make up the main part of the actuarial reserves with 56.4%, followed by traditional individual endowment insurance (maturity or death) with around 20.6%. The shares of the other sectors are in the single-digit percentage range.

Life insurance linked to funds and internal investment holdings saw a particularly sharp increase in 2019. Traditional individual endowment insurance and foreign branch offices also posted gains.

[1] Incurred but not reported: provisions for damage that already occurred but has not been reported to the insurer.

Gross actuarial reserves

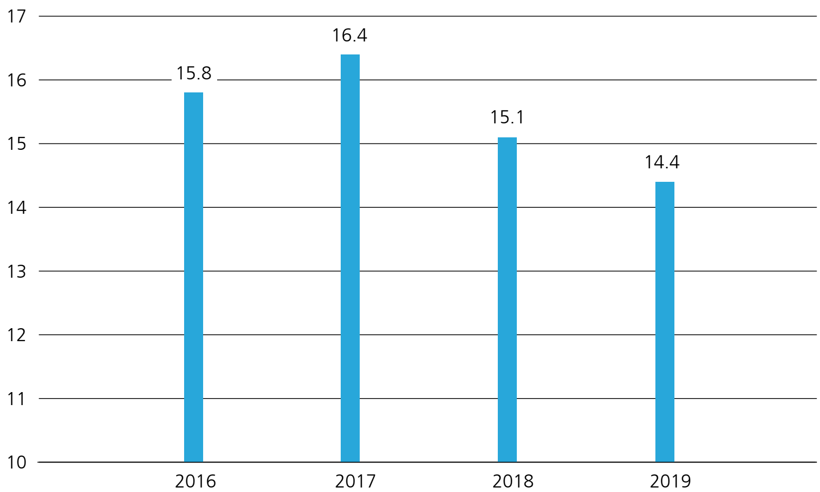
(in CHF thousands)	2019	2019 in %	2018	+/– in %
Group life occupational pension schemes	140,550,375	56.4	161,160,929	–12.8
Classical individual capital insurance	51,456,576	20.6	50,449,509	2.0
Classical individual annuity insurance	14,592,451	5.9	15,341,021	–4.9
Unit-linked life insurance	17,544,195	7.0	15,340,178	14.4
Life insurance linked to internal investment portfolios	2,251,628	0.9	1,835,414	22.7
Capitalisation and tontines	1,315,341	0.5	2,661,892	–50.6
Other insurance segments	2,471,815	1.0	2,499,937	–1.1
Foreign branches	18,615,568	7.5	16,542,239	12.5
Reinsurance accepted	478,940	0.2	485,936	–1.4
Total	**249,276,889**	**100.0**	**266,317,054**	**–6.4**

Changes in equity capital

At the end of 2019, the equity capital base came to CHF 14.4 billion, or 5.0% of the underwriting liabilities. In contrast to the previous year, the equity base fell by CHF 0.7 billion during the year under review.

Equity capital of life insurers

(in CHF billions)



Group life reporting for occupational pension schemes

Summary

2019 is the fifteenth consecutive year in which nine of the private life insurers operating in occupational pensions have accounted for their occupational pension scheme activities in their group life reporting.

The table below shows the results of the savings process, risk process and cost process. They give an aggregate gross result of CHF 1,661 million, representing a year-on-year increase of CHF 361 million. The improvement can be attributed to the good result from the savings process.

Gross, net and operating results 2015–2019

(in CHF millions)	2019	2018	2017	2016	2015
Savings process					
Income	3,627	3,954	3,816	4,767	5,186
Expenses	2,659	3,459	3,146	3,271	3,329
Result	969	495	670	1,496	1,857
Risk process					
Income	2,305	2,479	2,463	2,528	2,594
Expenses	1,580	1,635	1,454	1,452	1,418
Result	725	844	1,009	1,076	1,176
Cost process					
Income	732	747	754	754	757
Expenses	765	786	773	757	797
Result	–33	–39	–19	–3	–40
Summary of the three results					
Savings process result	969	495	670	1,496	1,857
Risk process result	725	844	1,009	1,076	1,176
Cost process result	–33	–39	–19	–3	–40
Gross result (group life reporting)	1,661	1,300	1,659	2,569	2,994
Strengthening technical reserves[a]	–746	776	–612	–1,592	–1,847
Net result	914	2,076	1,047	977	1,147
Breakdown of the net result					
Assignment to surplus fund	464	1,542	493	375	509
Operating result[b]	451	534	554	602	638
Net result	914	2,076	1,047	977	1,147

[a] Release from strengthening (+) minus strengthening (–) of technical reserves.
[b] The operating result corresponds to the life insurer's share of the net result.

Life insurers strengthened their technical reserves by CHF 746 million (the previous year saw the release of provisions no longer required amounting to CHF 776 million). This gives a net result of CHF 914 million, of which CHF 464 million goes to the surplus fund, leaving an operating result of CHF 451 million. It is significantly lower than in previous years.

After the previous year's high policyholder surplus of CHF 1,542 million thanks to the release of provisions no longer required, this figure returned to a normal level in the year under review with CHF 464 million going to the surplus fund.

The reported operating result gives a total payout ratio of 93.2% and 93.5% for business subject to the minimum ratio. The statutory minimum ratio in the latter area is 90%.

At CHF 969 million, the good result from the savings process stands out, although there were significantly fewer assets under management as a result of AXA Leben's withdrawal from full coverage insurance. Investment income grew disproportionately to interest expense in 2019 compared with the two previous years.

The results from the risk process were substantially reduced once again in the year under review due to the lower premium volume.

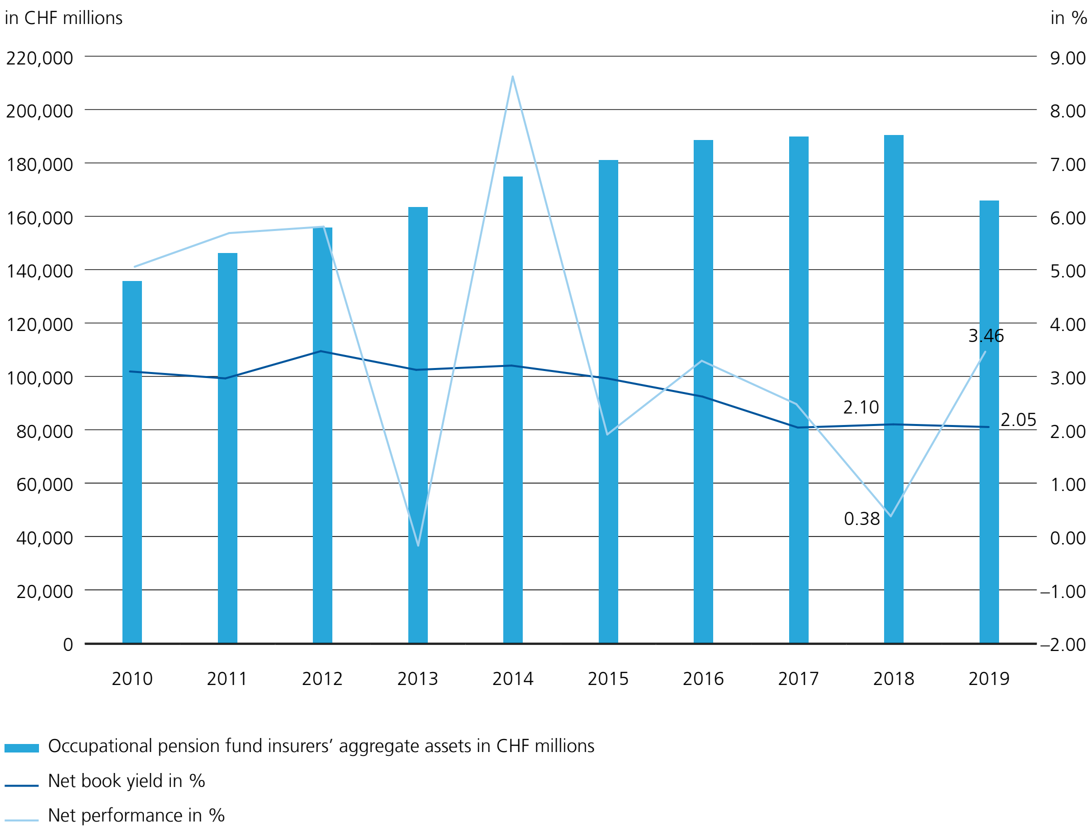
Savings process burdened by the need to strengthen actuarial reserves for annuities

Life insurers produced positive results in the savings process, with revenues minus expenses yielding CHF 969 million (2018: CHF 495 million). This was used, in particular, to strengthen actuarial reserves for annuities.

At 2.05%, the net return on investments (book yield) was slightly lower than in the previous year (2.10%). Between 2010 and 2019, the average return was 2.76% (average from 2009 until 2018: 2.88%). Taking account of the changes in the value of the investments, performance stood at 3.46% (2018: 0.38%).

Asset management costs (as a percentage of the market value of investments) fell to 21 basis points (2018: 28).

Aggregate assets, net book yield and net performance of occupational pension fund[2] insurers 2010–2019

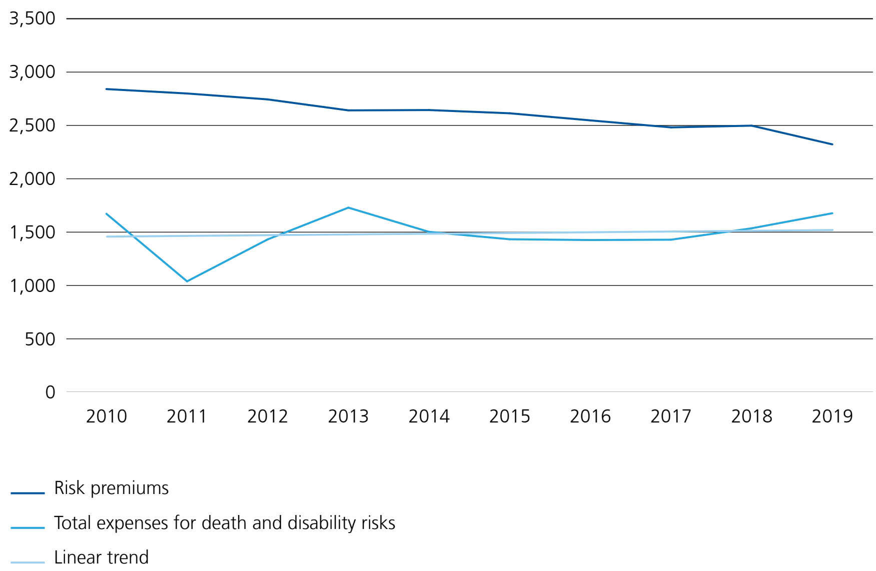


[2] Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (SR 831.40)

Risk process: lower results for death and disability risks
Costs and claims expenses in the risk process fell by 3% in the year under review compared with the previous year from CHF 1,635 million to CHF 1,580 million, while risk premiums fell by 7% from CHF 2,479 million to CHF 2,305 million. The result (gross) in the risk process fell again from CHF 844 million to CHF 725 million.

Premiums and total expenses in the risk process 2010–2019

(in CHF millions)



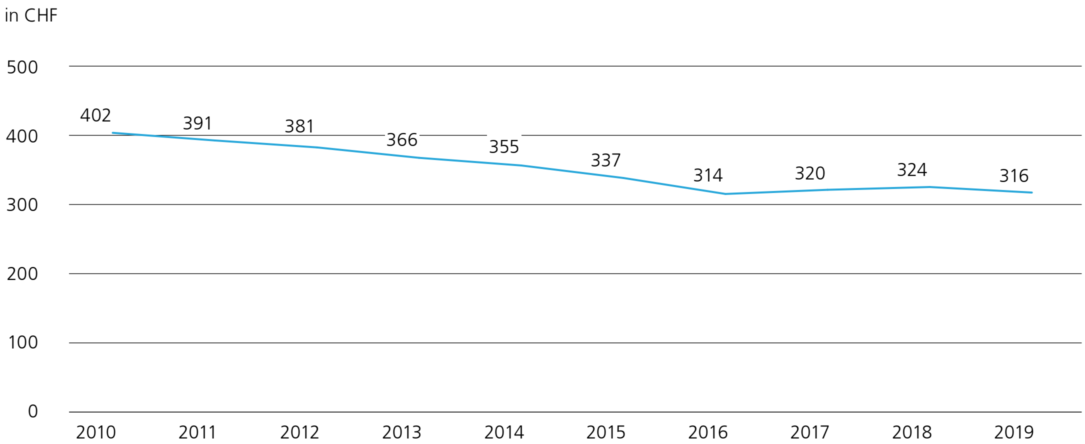
Cost process slightly negative again

With a deficit of CHF 33 million, the results in the cost process were slightly negative when aggregated across occupational pension fund insurers. Income of CHF 732 million is offset by expenses of CHF 765 million, which includes distribution and acquisition costs of CHF 229 million. The reported per capita operating costs fell to CHF 316 (2018: 324), as the number of policyholders increased by a greater percentage than the costs.

The difference between the CHF 370 resulting from the income statement and the CHF 316 resulting from the cost process is explained mainly by how claims management costs are recorded; they are included in costs in the income statement but they are recorded in the risk process for the technical breakdown.

The total distribution and acquisition costs of CHF 229 million break down as follows: commissions for brokers and agents (CHF 94 million), in-house sales force commission (CHF 89 million) and other acquisition costs (CHF 45 million).

Changes in per capita costs 2010–2019



Technical reserves: falling interest rates have necessitated strengthening measures
Actuarial reserves for annuities and other technical provisions (except retirement savings) were valued based on current biometric assumptions and valuation interest rates, which averaged 0.89% at the end of 2019 (2018: 1.09%).

Retirement savings fell by CHF 21.7 billion (2018: –CHF 2.4 billion), reaching a year-end total of CHF 77 billion. The reduction can be attributed to AXA Leben's withdrawal from the full coverage insurance market. For occupational pension fund insurers, the interest rate on mandatory retirement savings was 1.00%, while the average rate for supplementary retirement savings was 0.25% (2018: 0.19%; only guaranteed interest). Participation in the surplus generated averaging 0.57% must also be included in the supplementary retirement savings.

Actuarial reserves for current old-age and survivors' pensions have risen further (2.3%) and now total CHF 41.6 billion. The increase is partially driven by occupational pension fund insurers' obligation to strengthen their actuarial reserves on account of higher life expectancies and lower interest rates.

Key components of the technical provisions 2017–2019

				+/– in %	
(in CHF millions)	2019	2018	2017	2019/18	2018/17
Mandatory retirement savings	39,668	50,770	52,024	–21.9	–2.4
Supplementary retirement savings	37,309	47,939	49,125	–22.2	–2.4
Additional reserves for future pension conversions	3,427	3,721	4,228	–7.9	–12.0
Actuarial reserves for current old-age and survivors' pensions	41,581	40,660	38,604	2.3	5.3
Actuarial reserves for current invalidity pensions	8,450	8,522	8,594	–0.8	–0.8
Actuarial reserves for vested benefits policies	6,522	6,731	6,925	–3.1	–2.8
Actuarial reserves for other cover	4,200	3,948	3,781	6.4	4.4
Strengthening the actuarial reserves of current pensions	9,774	9,171	8,779	6.6	4.5
Technical reserve for incurred but not yet settled insurance claims	2,628	2,657	2,680	–1.1	–0.9
Reserve for interest guarantee, loss and value fluctuations	1,378	1,207	873	14.2	38.1
Other insurance reserves	938	924	741	1.5	24.7
Provisions for inflation	1,958	1,972	3,019	–0.7	–34.7
Total technical reserves	**157,834**	**178,223**	**179,373**	**–11.4**	**–0.6**
Surplus funds	1,102	1,987	1,018	–44.6	95.3
Premium deposits	2,197	1,803	1,837	21.8	–1.8
Credited allocations to the surplus fund	190	186	200	1.9	–6.7
Other liabilities	8,894	12,968	12,728	–31.4	1.9
Total assets: operating statement of occupational pensions	**170,217**	**195,169**	**195,155**	**–12.8**	**0.0**

The surplus fund

The surplus fund is an actuarial balance sheet item to free up surplus dividends for occupational pension institutions and their insured persons. A total of CHF 1,346 million (2018: CHF 573 million) was allocated to these occupational pension institutions and their insured persons because of the exceptionally high amount that went to the surplus fund in the previous year thanks to the release of provisions no longer required as well as AXA Leben's withdrawal from full coverage insurance. This and the following table show that the surpluses generated in one year are passed on rapidly to the insured persons. During the year under review, CHF 464 million of the net result was allocated to the surplus fund (2018: CHF 1,542 million).

Changes in the surplus fund 2015–2019

(in CHF millions)	**2019**	2018	2017	2016	2015
At the beginning of the year	1,985	1,018	1,064	1,362	1,705
Withdrawals	–1,346	–573	–539	–673	–852
In %	–68	–56	–51	–49	–50
Allocations	464	1,542	493	375	509
At year end	1,102	1,987	1,018	1,064	1,362
Assigned from allocation in year +1	0	901	47	0	0
Assigned from allocation in year +2	0	0	446	375	359
Assigned from allocation in year +3	0	0	0	0	150
Assigned from allocation in year +4	0	0	0	0	0
Assigned from allocation in year +5	0	0	0	0	0
Total assignments	0	901	493	375	509
Outstanding assignments	464	641	0	0	0

Changes in key figures
The changes in the key figures for occupational pension funds are shown in the following table.

Further information about the group life reporting for occupational pension schemes of life insurance companies and in particular the transparency schemes of the occupational pension fund insurers can be found on the FINMA website.

Key figures for occupational pension funds 2015–2019

	2019	2018	2017	2016	2015
Premiums and investments					
Total gross written premiums, in CHF millions	22,049	22,552	22,395	23,282	24,834
Total investments (market values), in CHF millions	186,139	207,537	209,353	206,138	197,116
Total investments (book values), in CHF millions	164,329	188,911	187,566	185,674	178,522
Net return on investments (book yield), in %	2.05	2.10	2.04	2.62	2.96
Per capita operating costs, in CHF					
Averaged over insured persons	370	377	365	359	381
Active insured persons	399	415	405	400	435
Pensioners	480	440	430	425	409
Holders of vested benefits policies	75	73	70	70	73
Net result[a], in CHF millions					
Savings process	304	911	22	–133	16
Risk process	640	954	1,044	1,113	1,171
Cost process	–33	–39	–19	–3	–40
Outside the processes	3	251	n/a	n/a	n/a
Total (net result)	**914**	**2,076**	**1,047**	**977**	**1,147**
Breakdown of the net result					
Life insurers' portion (operating result), in CHF millions	451	534	554	602	638
Life insurers' portion, in %	49.3	25.7	52.9	61.6	55.6
Insured persons' portion (assignment to surplus fund), in CHF millions	464	1,542	493	375	509
Insured persons' portion, in %	50.7	74.3	47.1	38.4	44.4
Revenue in the savings, risk and cost process in CHF millions	**6,664**	**7,180**	**7,033**	**8,049**	**8,537**
Life insurers' portion, in %	6.8	7.4	7.9	7.5	7.5
Insured persons' portion, in % (payout ratio)	93.2	92.6	92.1	92.5	92.5
Payout ratio only for business subject to the minimum ratio, in %	93.5	92.5	92.5	92.7	92.6

[a] After creation/release of reserves, but before allocation to the surplus fund

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

Premiums increased by 2.3% (gross) compared with the previous year. Both the direct and indirect business experienced growth.

By contrast, the claims expenditure (net) remained stable in 2019, with a slight fall in payments for insurance claims (–1.2%) compensating for a lower release of provisions than in the previous year. Due to the higher premium volume in 2019 the loss ratio (gross) improved by 4.2 percentage points to 58.8%.

Expenditure for insurance operations rose more sharply than premiums (+5.8%), which resulted in an increase in the expense ratio by 1.2 percentage points to 29.3%.

Significantly higher investment income was generated in 2019 than in the previous year (+79.6%), which can be attributed primarily to the share portfolios. As a result, the annual profits of non-life insurance companies grew by 49.4% overall, leading to an increase in the return on equity by 6.21 percentage points (see page 26).

Non-life insurance companies continue to experience very comfortable solvency levels, recording a further increase of 19 percentage points. The coverage of tied assets also improved by 6 percentage points.

Key figures for non-life insurance companies

(in CHF thousands)	2019	2018	+/– in %
Gross premiums written	45,857,578	44,825,577	2.3
Claims paid out	25,414,158	25,726,462	–1.2
Cost for the change in technical liabilities	–3,302,673	–3,344,342	–1.2
Cost for the change in other actuarial liabilities	797,990	457,412	74.5
Costs for underwriting	9,127,575	8,630,573	5.8
Taxes	790,467	623,437	26.8
Gains/losses from investments	9,550,221	5,318,343	79.6
Annual profits	**10,080,690**	6,746,946	49.4
Balance sheet total	**179,310,950**	**178,951,060**	0.2
Investments	142,303,728	140,663,673	1.2
Technical liabilities	87,619,684	90,902,055	–3.6
Equity (before profit allocation)	**45,984,658**	**42,951,218**	7.1

	2019 in %	2018 in %	+/– percentage points
Return on investments	6.75	3.77	+2.98
Return on equity	21.92	15.71	+6.21
Loss ratio	58.8	63.0	–4.2
Expense ratio	29.3	28.1	+1.2
Combined ratio	88.1	91.1	–3
SST solvency ratio	271	252	+19
Tied-assets coverage ratio	130	124	+6

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 69% in corporate bonds and 31% 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 34.4 billion (2018: CHF 32.3 billion).

Other positions

Non-life insurance companies continue to invest significantly less in real estate and mortgages than life insurance companies.

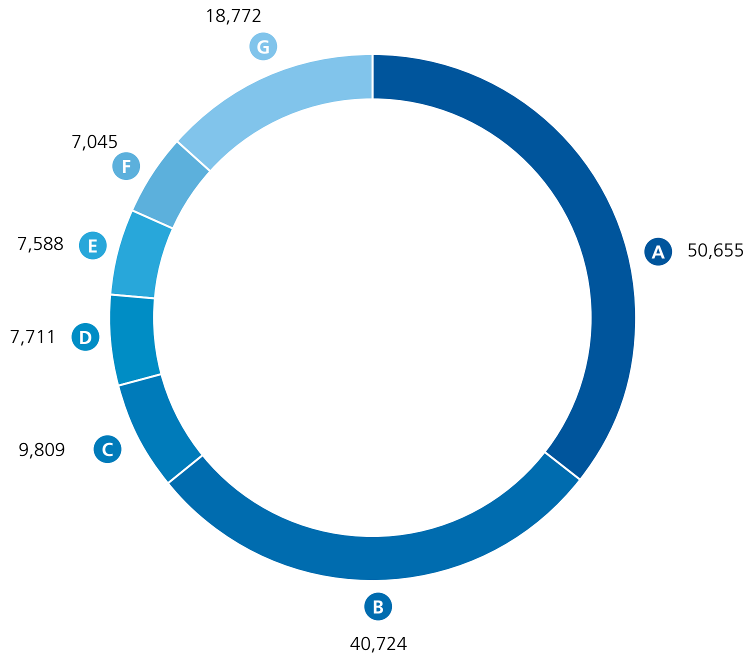
Asset allocation of non-life insurers

(in CHF thousands)	**2019**	**2019 in %**	2018	2018 in %
Real estate, buildings under construction and building land	7,588,203	5	7,483,096	5
Participations	40,723,614	29	38,768,246	28
Fixed-interest securities	50,654,751	35	51,577,631	37
Loans	7,045,020	5	6,943,045	5
Mortgages	5,386,138	4	5,334,617	4
Equities	7,711,399	5	7,544,273	5
Collective investments	9,808,855	7	8,910,560	6
Alternative investments	5,172,852	4	4,581,784	3
Other investments	8,212,895	6	9,520,421	7
Total investments	**142,303,728**	**100**	**140,663,673**	**100**

Asset allocation of non-life insurers 2019

(in CHF millions)

- A Fixed-interest securities
- B Participations
- C Collective investments
- D Equities
- E Real estate, buildings under construction and building land
- F Loans
- G All other investments



Premium trends in the direct Swiss business (including supplementary health insurers)

Overall, premium trends in the direct Swiss non-life insurance sector including supplementary health insurers remained stable in 2019 and recorded growth of 1.7%. In contrast to previous years, growth was therefore significantly higher than GDP growth (+0.9%). Due to the ongoing intense price pressure in the motor vehicle insurance segment, the land vehicle (comprehensive) (+0.9%) and land vehicle (liability) (–1.6%) sectors together again saw lower premiums compared with the previous year (–0.2%). Apart from this, only the marine, aviation, transport (–5.7%) and tourist assistance (–6.7%) lines recorded declining premium volumes.

Due to continued growing demand, the legal protection (+5.9%), credit, surety (+9.2%) and financial losses (+12.6%) sectors posted strong growth, in fact twice the amount compared with 2018.

Growth in the personal insurance – illness (+1.9%) and accident (+2.2%) – sectors, whose share of the non-life insurance market grew to 53.7% in 2019, slowed down for the second year in a row and was only slightly above the market average.

Due to the slowdown in economic activity, the fall in sales and salary volume as well as the declining number of employees and the economic downturn due to the COVID-19 pandemic, a reduction in premium volume is to be expected in virtually all insurance sectors in 2020.

Gross premiums written

(in CHF thousands)	2019	2019 in %	2018	+/– in %
Illness	11,185,992	39.2	10,974,087	1.9
Fire, property damage	4,149,938	14.5	4,059,873	2.2
Accident	3,175,939	11.1	3,118,753	1.8
Land vehicle (comprehensive)	3,372,303	11.8	3,341,776	0.9
Land vehicle (liability)	2,601,194	9.1	2,643,517	–1.6
Liability	1,995,574	7.0	1,958,755	1.9
Marine, aviation, transport	323,716	1.1	343,450	–5.7
Legal protection	643,123	2.3	607,495	5.9
Financial losses	512,143	1.8	454,824	12.6
Credit, surety	379,652	1.3	347,709	9.2
Tourist assistance	236,787	0.8	253,830	–6.7
Total	**28,576,361**	**100.0**	**28,104,069**	**1.7**

Market shares in the direct Swiss business

Market shares among the eight main direct non-life insurance companies excluding health insurers remained constant in 2019 at 83.3%. The remaining 16.7% of the market was shared by 89 further non-life insurance companies with their registered office in Switzerland as well as Swiss branches of insurance companies registered outside Switzerland.

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 Helvetia Schweizerische Versicherungsgesellschaft AG. By contrast, Allianz Suisse Versicherungs-Gesellschaft AG and Basler Versicherung AG lost market share, as did Zürich Versicherungs-Gesellschaft AG and Generali Assurances Générales SA again this year. However, these shifts did not result in any change in the respective positions of the eight largest Swiss non-life insurance companies.

Market shares of non-life insurers (excluding supplementary health insurers)

(in CHF thousands)	**Premiums written 2019**	**Market shares in % 2019**	Premiums written 2018	Market shares in % 2018
AXA Versicherungen	3,425,339	18.6	3,367,533	18.6
Schweizerische Mobiliar	2,975,867	16.2	2,878,948	15.9
Zürich Versicherung	2,494,301	13.5	2,458,572	13.6
Allianz Suisse	1,894,386	10.3	1,894,407	10.5
Helvetia	1,561,940	8.5	1,503,710	8.3
Basler Versicherung AG	1,314,454	7.1	1,327,107	7.3
Vaudoise	928,987	5.0	895,882	5.0
Generali Assurances	760,693	4.1	753,418	4.2
The eight largest insurers	**15,355,967**	**83.3**	**15,079,577**	**83.3**

Claims ratios in the direct Swiss business

The claims ratio in the direct Swiss non-life business fell by 3.1 percentage points compared with the previous year to 62.1% (2018: +0.6 percentage points). The decline in the number of loss events was 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 in the year under review. The year 2019 saw an unusually low level of claims in relation to weather damage caused by floods, landslides, debris flow, rockfalls and rockslides in the Alpine region.

There was significantly less hail damage in 2019 than in 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 continuing decline in vehicle thefts – in 2019 the lowest value was recorded since 2009 – and a reduction in traffic accidents with bodily injuries by around 1.5% likewise had a positive effect on motor vehicle insurance. In 2019 the claims ratio in the land vehicle (liability) sector recorded its lowest value since 2014. On the one hand, the reduction in traffic accidents had a positive impact on this sector. On the other hand, one large provider made some changes in its technical provisions. The above-average decrease in the loss ratio for fire/property damage can be attributed to a significant decline in the number of thefts, which reached a record low in 2019.

Claims ratios of the sectors in the direct Swiss business (including supplementary health insurers)

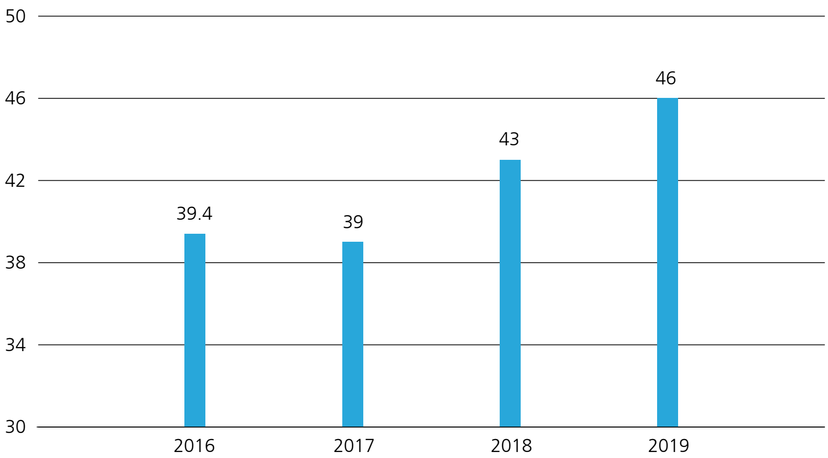
in %	2019	2018	+/– percentage points
Illness	74.6	73.9	+0.7
Fire, property damage	46.3	56.1	–9.8
Accident	71.2	73.3	–2.1
Land vehicle (comprehensive)	68.5	70.5	–2
Land vehicle (liability)	22.1	38.0	–15.9
Liability	54.8	60.2	–5.4
Marine, aviation, transport	50.7	54.3	–3.6
Legal protection	57.8	57.7	+0.1
Financial losses	56.7	63.1	–6.4
Credit, surety	55.8	29.7	+26.1
Tourist assistance	75.7	70.3	+5.4
Total	**62.1**	**65.2**	**–3.1**

Changes in equity capital

The equity capital of non-life insurers increased again in 2019 by a further CHF 3.0 billion. The increase compared with the previous year can be attributed primarily to the above-average annual results.

Equity capital of non-life insurers

(in CHF billions)



Supplementary health insurance providers

Key figures

Growth of payments for insurance claims as well as expenditure for insurance operations was above average in the year under review. This can be attributed to significantly higher costs for medical services, which fell in the previous year (2018). The costs for brokering insurance policies are included in the expenditure for insurance operations and contributed to the cost increase there. On the other hand, premium income, which is a mixed calculation of premium reductions and increases and also includes policyholders who take out or discontinue their plan, rose only moderately by 1.3%. Besides other effects, the mechanisms for tariff audits by FINMA, which limit the profit margins possible for supplementary health insurance providers, are applicable here. The marked improvement in the investment results can be attributed to the strong stock market year of 2019, with shares contributing particularly to this above-average result. These circumstances also led to a significant increase of the SST ratio and coverage of tied assets.

Key figures of health insurance companies

(in CHF thousands)	**2019**	2018	+/– in %
Gross premiums written	8,387,832	8,346,791	0.5
Gross premiums written including ISA portion of health insurance companies	10,187,042	10,055,864	1.3
Claims paid out	5,916,650	5,534,028	6.9
Costs for underwriting	1,615,543	1,550,738	4.2
Taxes	169,271	120,634	40.3
Gains/losses from investments	666,886	–26,530	n/a
Annual profits	**673,143**	**358,116**	88.0
Balance sheet total	**18,952,585**	**17,801,512**	6.5
Investments	**16,612,743**	**15,512,650**	7.1
Technical liabilities	10,790,931	11,265,722	–4.2
Equity (before profit allocation)	4,294,960	3,726,797	15.2

	2019 in %	2018 in %	+/– percentage points
Return on investments	4.15	–0.17	+4.32
Return on equity	15.67	9.61	+6.06
SST solvency ratio	302	278	+24
Tied-assets coverage ratio	138	131	+7

Market share in the supplementary health insurance sector

The breakdown of market share[3] shows that the market conditions barely changed compared with the previous year. Eight health insurers wrote 84% of the total premium volume. A small provider, Galenos (general health insurance company, taken over by Visana), disappeared from the market in the year under review.

Market share in the supplementary health insurance sector

(in CHF thousands)	**Premiums written 2019**	**Market shares in % 2019**	Premiums written 2018	Market shares in % 2018
Helsana Zusatzversicherungen	1,755,271	17.2	1,764,964	17.6
Swica Krankenversicherung	1,582,982	15.5	1,490,892	14.8
CSS	1,331,369	13.1	1,336,000	13.3
Visana	1,151,250	11.3	1,133,562	11.3
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	1,083,013	10.6	1,024,094	10.2
Sanitas	773,963	7.6	772,762	7.7
Concordia	562,728	5.5	570,712	5.7
Assura	353,339	3.5	348,271	3.5
The eight largest insurers	**8,593,915**	**84.3**	**8,441,257**	**84.0**

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

Reinsurance companies

Key figures

Gross premiums generated by reinsurance companies under FINMA supervision rose strongly in 2019 as expected following the significant decline in the previous year. They increased by 37% to CHF 51.3 billion compared with the previous year, due particularly to changes in the reinsurance business with group companies. If the claims burden is also higher than in the previous year, the improved investment result contributes to higher profits. The solvency ratio for reinsurers fell slightly to 199%.

Booked gross premiums increased significantly by 37% in the year under review, from CHF 37.5 billion to CHF 51.3 billion. The sharp increase was expected and can be attributed to altered structures of internal reinsurance contracts within the group. Large-scale quota share treaties were signed again in the year under review; such contracts had been suspended in the previous year as they were disadvantageous in terms of taxation. Swiss Re companies contributed more than CHF 12 billion to the total growth of almost CHF 14 billion. The gross premiums of the other professional reinsurers rose by 10.5% to CHF 15.3 billion, while the premium volume of reinsurance captives fell slightly (–1.7%) to CHF 915 million.

Key figures of reinsurance companies

(in CHF thousands)	2019	2018	+/– in %
Gross premiums written	51,288,253	37,465,298	36.9
Claims paid out	21,185,218	27,240,015	–22.2
Cost for the change in technical liabilities	8,135,731	–4,752,401	n/a
Cost for the change in other actuarial liabilities	214,402	203,999	5.1
Costs for underwriting	13,275,456	11,047,291	20.2
Taxes	393,541	401,316	–1.9
Gains/losses from investments	6,746,230	2,800,009	140.9
Annual profits	**3,623,096**	**2,433,481**	48.9
Balance sheet total	**204,279,657**	**184,434,104**	10.8
Investments	91,612,000	85,549,754	7.1
Technical liabilities	131,470,328	116,303,073	13.0
Equity (before profit allocation)	**27,376,380**	**25,785,735**	6.2

	2019 in %	2018 in %	+/– percentage points
Return on investments	7.62	3.27	+4.35
Return on equity	13.23	9.44	+3.79
Net combined ratio, non-life	140.3	120.5	+19.8
Benefit ratio, life	71.4	70.8	+0.6
SST solvency ratio	199	203	–4

Total assets increased due to higher technical liabilities (+13% to over CHF 131 billion) by 10.8% to over CHF 204 billion. Investments by reinsurers increased by 7.1% to CHF 91.6 billion.

Higher losses due to natural disasters but also in the liability business caused the combined ratio to rise sharply to 140.3% (2018: 120.5%) and put a strain on the technical account. On the other hand, the result from investments improved by an unusually high CHF 2.8 billion to CHF 6.8 billion.

The return on equity rose from 9.4% to 13.2%. The solvency ratio fell slightly overall to 199% (2018: 203%); as in previous years a significant amount of the profits was distributed again in the year under review.

Asset allocation

Asset allocation was extremely stable overall. Shareholdings saw an increase from 20% to 21%. Shareholdings involved almost exclusively Swiss Re Group companies, which function as holding companies in addition to their operational activities. However, Swiss Re's shareholdings fell, while those of other professional reinsurance companies grew strongly, albeit from a low level.

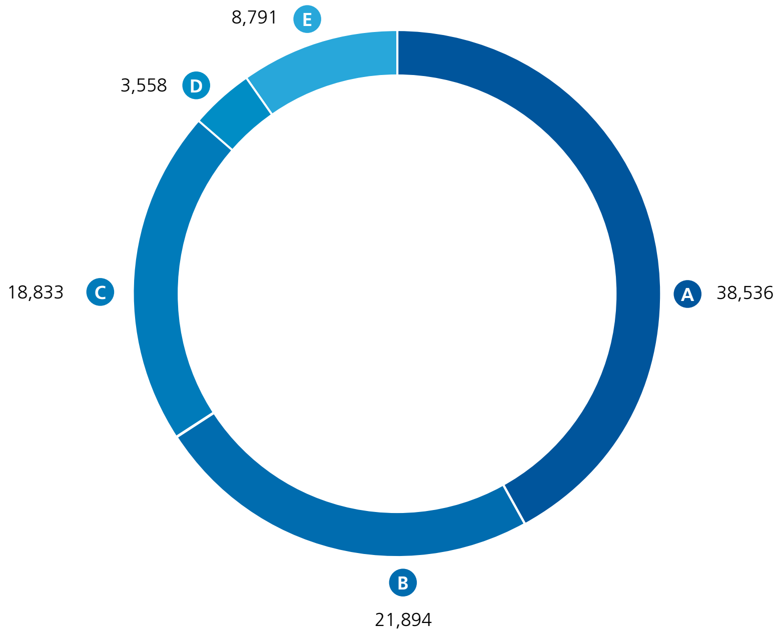
Asset allocation of reinsurance companies

(in CHF thousands)	2019	2019 in %	2018	2018 in %
Real estate, buildings under construction and building land	91,112	0	96,379	0
Participations	18,833,401	21	17,324,300	20
Fixed-interest securities	38,536,488	42	36,167,924	42
Loans	3,558,307	4	2,908,998	4
Mortgages	1,688	0	813,234	1
Equities	1,324,684	1	1,118,311	1
Collective investments	21,893,569	24	20,441,350	24
Alternative investments	988,175	1	917,603	1
Other investments	6,384,576	7	5,761,655	7
Total investments	**91,612,000**	**100**	**85,549,754**	**100**

Asset allocation of reinsurance companies

(in CHF millions)

- A Fixed-interest securities
- B Collective investments
- C Participations
- D Loans
- E All other investments



Premium trends

Earned gross premiums increased to a significantly lower extent than gross premiums written, which is not surprising given the reintroduction of proportional reinsurance contracts. The greatest increase was in the long-tail segment (+30.5%) and in geographical terms in North America (+46.5%).

Premiums earned by reinsurers

(in CHF thousands)	2019	2019 in %	2018	+/– in %
Short-tail	16,700,791	34.7	14,888,515	12.2
Long-tail	12,197,769	25.4	9,347,547	30.5
Catastrophes	4,033,859	8.4	3,567,686	13.1
Total non-life	**32,932,419**	**68.5**	**27,803,748**	**18.4**
Life	15,130,312	31.5	13,519,644	11.9
Total gross premiums	**48,062,731**	**100.0**	**41,323,392**	**16.3**
Asia/Pacific	10,072,168	21.0	9,396,726	7.2
Europe	17,746,432	36.9	17,558,364	1.1
North America	18,442,345	38.4	12,585,331	46.5
Rest of the world	1,801,786	3.7	1,782,971	1.1
Total gross premiums	**48,062,731**	**100.0**	**41,323,392**	**16.3**

Claims ratio

In 2019, the claims ratio in the non-life reinsurance sector deteriorated significantly by just under 10 percentage points to 73.4%. This was caused by significant deteriorations in the long-tail and catastrophes segments. Across the market as a whole, total insured major losses were lower than in the previous year and were also below the 10-year moving average.[4] Higher catastrophe estimates for events from 2018 as well as additional reserves in the US liability segment had a negative impact in the year under review.

Claims ratios in non-life reinsurance business

in %	2019	2018	+/– percentage points
Short-tail	58.7	61.0	–2.3
Long-tail	81.0	68.8	+12.2
Catastrophes	105.9	59.0	+46.9
Total	**73.4**	**63.9**	**+9.5**

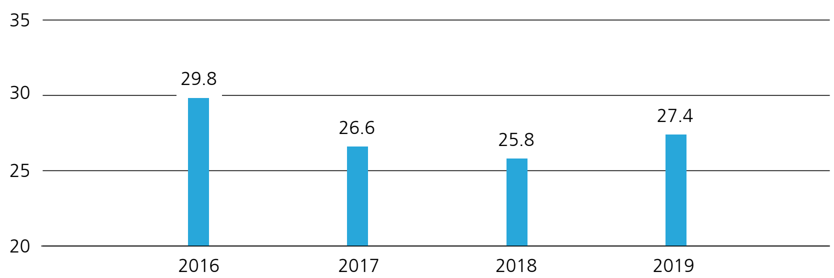
[4] Source: Swiss Re sigma 2/2020

Changes in equity capital

Statutory equity capital increased by 6.2%, from CHF 25.8 billion to CHF 27.4 billion, compared with the previous year. At Swiss Re companies, the increase was around CHF 1 billion and accounted for CHF 12.7 billion. Compared with the previous year, equity capital at the other professional reinsurance companies increased by CHF 0.4 billion, while total equity capital at reinsurance captives increased by around CHF 100 million to CHF 2.9 billion. These figures were prepared before the dividend distributions for 2019.

Equity capital reinsurers

(in CHF billions)



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.

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 rate itself is less indicative than the actual change over time.

IBNR (incurred but not reported)
Provisions for damage that already occurred but has not been reported to the insurer.

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 claims expenditure 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.

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 (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.

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