2020 Trend Barometer
Swiss Insurance Market / Market Update 11/2019

Aon Switzerland Ltd. / Commercial Risk Solutions
Einleitung

To our Readers

While the insurance market is experiencing a hardening world-wide, especially in the EMEA economic area, in Switzerland the insurance market is coming to the end of a 15-year period of soft and buyer-friendly conditions in specific lines of business and risks. Slower global economic growth, the BREXIT debate in the UK, and trade war between the USA and China certainly also play an important role.

A number of major losses, especially in the natural catastrophe line, are making international insurers nervous; as a result, there is a growing reluctance, or even the refusal, to engage in certain products and geographical regions which insurers believe will be unable to generate adequate profitability in the future. In Switzerland, the insurance industry remains healthy and loss ratios are mostly positive. Swiss insurers which operate internationally cannot, however, disregard global developments; they are becoming more cautious and demanding significantly more risk information.

In the health insurance sector, the global trend of higher costs is on the upswing in Switzerland too.

Lower interest rates combined with rising life expectancy present major challenges for pension funds which legislators and insurers must urgently address.

Despite several mergers and take-overs of large insurance companies (Ace/Chubb, AXA/XL, etc.) in recent years, competition remains fierce – especially for good risks – and the Swiss insurance market is still relevant and attractive.

In the following pages we present a general overview and outline the trends for the individual insurance lines.

We wish you interesting reading.

Contact
Kilian Manz
Chief Broking Officer
+41 58 266 82 92
kilian.manz@aon.ch

René Wermelinger
Deputy Chief Broking Officer
+41 58 266 82 78
rene.wermelinger@aon.ch
Suitable and inexpensive property insurance will be harder to find for businesses with a higher risk profile.

Insurers will have to come to terms with higher demand for anti-terrorism insurance, including insurance against terrorist threats.

Buyers of technical insurance can expect stable prices, except in construction and assembly insurance.

Prices for good risks in marine insurance are still on a downward trend. Therefore, no price increases or capacity shortages should be expected soon.

Motorcar insurers remain very reluctant to restructure poorly performing risks. However, corporate customers will find insurance more expensive, i.e. premiums for corporate fleets should rise in accordance with insurers’ wishes.
Companies in Switzerland can contract liability insurance at good prices and conditions. Market capacity remains high. More restrictive underwriting policy for loss-making risks.

The Swiss D&O market offers managers good protection at prices that are still low. Only risks with higher US exposure incur higher prices and limited capacity.

Although claims activities are increasing, the market situation is attractive for corporate customers. However, deductibles and premiums tend to rise.

Since 2014, M&A insurance for European transactions has become more widely accepted both in private equity (PE) and for strategists. New insurers are thronging the market; as a result, coverage possibilities are growing, and deductibles are falling.

Insurers are starting to develop trade credit insurance policies which qualify as true security for receivables.
The market is growing increasingly hard, with stricter requirements and higher deductibles. The risk assessment process is becoming ever more complex.

Limited insurance capacity is growing scarce following mergers and take-overs between insurers. Homogenous coverage fosters price competition.

The market remains unpredictable. There is no uniform procedure for restructuring or depreciating. Greater scrutiny of short-term policies for cost-saving purposes.

Several life insurers to apply new collective insurance rates in 2020 impacting risk premiums and conversion rates; elimination of commercial tariff adjustments.
Property and business interruption insurance

General

- Most insurers have incurred losses on property and business interruption in recent years. All insurers have tightened their underwriting and pricing guidelines.
- While the competition between insurers for clients with good underwriting ratings remains extremely strong, insurers are shying away from higher-risk clients.

Trend

- Premium levels have stabilised overall. It is still possible to improve coverage and achieve premium reductions for the most sought-after risks.
- We recommend that our clients carefully consider the quality of their risk management and their natural catastrophe exposure. In the medium term, we expect to see the same market downturn as the rest of Europe.

Contact

Erwan Le Doré
Head Property Broking
+41 58 266 82 69
erwan.le.dore@aon.com
Anti-terrorism insurance

General
- The terrorist threat is rising in Switzerland; internationally, the number of terrorist attacks has increased.
- The new strategy of Islamic terrorists makes it extremely challenging for organisers to find suitable venues and carry out events.
- Aon has implemented facility solutions offering the most competitive coverage and premium levels on the market.

Trend
- Insurers will have to come to terms with higher demand for anti-terrorism insurance, which includes insurance against terrorist threats.
- Notwithstanding, premium levels remain moderate. But it is important to carefully check the scope of coverage because, depending on the insurer, it can vary and be subject to significant restrictions.

Contact
Erwan Le Doré
Head Property Broking
+41 58 266 82 69
erwan.le.dore@aon.com
General
- Save for construction and assembly insurance, we expect prices to remain stable at their low levels.
- Insurers remain extremely willing to underwrite new risks.
- The well-functioning market for technical insurance offers continuously attractive conditions thanks to the diversity of individual risk assessments.

Trend
- We are seeing an upswing in prices for construction and assembly insurance, which have been low for a long time, especially from internationally active insurers.
- We expect the pressure from major losses and natural catastrophes to increasingly spill over into project insurance.

Contact
André Ruchti
Head Engineering Broking
+41 58 266 86 01
andre.ruchti@aon.com
Marine insurance

General
- Premiums for good risks remain under strong pressure.
- Poor risks will be looked at more closely and restructured too.
- The willingness to insure long-term storage for unlimited periods has declined.

Trend
- Compliance requirements must perforce be implemented.
- New legislation in several countries causes problems in the choice of Incoterms and the related insurance coverage.
- Following several bankruptcies in the shipping industry, special clauses have been introduced to cover the corresponding financial losses.
- New Incoterms will be introduced in 2020. Content details will be published in autumn 2019.

Contact
Georges Bass
Senior Broker Marine
+41 58 266 82 65
georges.bass@aon.com

Positive trend
Motor vehicle insurance

Stable trend

General
- There have been no hard and significant restructurings.
- Loss prevention programmes are implemented on an ongoing basis and often mitigate (and sometimes replace) conventional restructuring.

Trend
- Piece premiums instead of individual rate premiums are increasingly offered for fleets.
- Premium reductions for vehicles with modern driver assistance systems, or special pricing for energy-efficient vehicles (hybrid, electric and efficiency class A)

Contact
Filip Petrovic
Broker Motor Fleet
+41 58 266 82 53
filip.petrovic@aon.com
General

- Disruptive technologies like autonomous vehicles, 3D printers, robots, drones and cloud computing make it necessary to adapt and/or extend conventional liability coverage with specific financial loss components, or errors & omissions coverage.
- Protectionist tendencies and compliant payment of insurance taxes are the challenges to overcome in the structuring of international liability programmes.

Trend

- There is no sign of any hardening in the market for business and product liability coverage. However, in the case of loss-making risks and specific life science risks, we see insurers applying more restrictive underwriting policies.
- Despite mergers and take-overs, capacity remains high and new insurers are thronging the Swiss market. The effects of further mergers, in terms of capacity and appetite for risk, should be closely monitored.
General
- Generally speaking, the D&O market in Switzerland offers managers good protection at prices that remain low.

Trend
- New laws and digitisation have increased the risk to senior executives of being held liable for misconduct in their company.
- However, especially for heavy US exposure, US listings and the riskier life science sectors, insurers are demanding higher prices, and are cutting back capacity in some cases.

Contact
Raphael Schmid
Head Financial Lines Broking
+41 58 266 82 33
raphael.schmid@aon.com
Aon Trend Barometer 2020 | Key Facts

Cyber insurance

General
- The market is growing more mature. Buyers of insurance are becoming increasingly knowledgeable - both in terms of risks and solutions.

Trend
- The time when insurers would grant coverage without extensive information about risks is coming to an end.
- Although claims activities are rising, the market situation is still attractive for corporate clients. Co-insurance amounts and premiums are on an upward trend however.
- Because of the need to identify and evaluate cyber risks to transfer them where possible to the insurance industry, demand for effective risk assessment of real cyber exposure is rising significantly.

Contact
Raphael Schmid
Head Financial Lines Broking
+41 58 266 82 33
raphael.schmid@aon.com
Aon Trend Barometer 2020 | Key Facts

M&A-insurance — a constantly evolving form of risk

General

- The nature and scope of transaction risks are rapidly changing. The question is: are conventional approaches to M&A due diligence and risk mitigation still relevant? Unless European dealmakers are willing to change, they may find themselves ill-equipped to evaluate companies and assess future growth and profitability. Part of the challenge is the growing complexity of the risks for target companies. Disruptive forces such as digital progress, environmental and political changes and the emergence of new business models lead to new operational threats and strategic risks.

Trend

- Aon's data on the placement of M&A insurance for transactions in Europe shows that, since 2014, acceptance has grown both in private equity (PE) and with strategists. New insurers are still thronging the market and strong competition leads to broader coverage options and declining deductibles. Moreover, insurers are more committed to insuring known risks, especially tax risks.

- The speed at which M&A insurance has acquired significance in the European M&A industry and the awareness created by this trend indicate that we shall soon be seeing new ways to increase the value of transactions.

Stable trend

Contact
Hansjörg Pezzei
Head M&A Switzerland
+41 58 266 86 17
hansjoerg.pezzei@aon.com
Since the beginning of the year, companies reporting under IFRS have had to comply with new accounting rules. Effective immediately, companies are required to calculate the probability of default on their credit risks over the next twelve months.

For credit insurance, the picture has not changed in recent years: insurers offering low-priced coverage have high risk and manage a virtually constant number of insurance contracts.

First insurers offer product combinations, e.g. credit insurance combined with cancellation and fidelity insurance, in order to secure the client's portfolio of trade and other accounts receivables as comprehensively as possible.
General
- Insurers have experienced higher claims rates following the surge in social engineering cases (especially the "fake president" confidence trick).

Trend
- Additional requirements, high deductibles and restrictive capacity management at some major providers are inducing further hardening in the market.
- The risk assessment process is growing increasingly complex.
- Although there still are strong risk transfer partners in the fidelity insurance line, the market’s rising dependence on a small number of insurers is deemed negative.
Environmental insurance

General
- Environmental legislation such as the EPA (Federal Act on the Protection of the Environment) in Switzerland provide for the protection of biological communities and habitats.
- Insurance cover is available against unknown, as well as some known, environmental pollution.
- Limited insurance capacity is becoming scarcer as a result of mergers and take-overs of insurance companies.

Trend
- Niche product which is a growth market for a few insurers.
- Homogenous coverage spurs price competition.
- We expect to see even more restructurings ordered by the authorities.

Contact
Alexander Machowetz
Senior Broker Liability
+41 58 266 82 82
alexander.machowetz@aon.com
The situation for insurers remains tight in terms of profitability, especially in the collective daily benefits area. Insurers now focus on profitability rather than premium volume.

Poorly performing policies are being systematically restructured and insurers are withdrawing from the daily benefits business.

Restructuring efforts will intensify.

The market remains unpredictable. There does not seem to be any uniform procedure for restructuring or tenders.

We have seen a further increase in the implementation of short-term insurance against short-term absences.

Companies are increasingly aware of the (high) cost of absenteeism, apart from insurance premiums, and are searching for solutions to reduce such costs.

Contact
Katrin Villinger
Head of Accident & Health
+41 58 266 82 73
katrin.villinger@aon.com
Employee benefits

General
- Market shift following AXA’s withdrawal from full insurance.
- Selective admissions policy (with particular regard to age structure, headcount, individual claims experience and amount of mandatory pension assets).
- Life insurers to adjust rates in 2020.
- Providers reduce CHF bond investments.

Trend
- Several life insurers to apply new collective insurance rates in 2020, impacting risk premiums and conversion rates; elimination of commercial tariff adjustments.
- Low interest rates on extra-mandatory pension assets in full insurance solutions.
- Trend towards uniform, declining conversion rates.
- Sharper risk selection to avoid retirement losses and cross-funding for pensioners.

Contact
Oliver Lips
Head Benefits Broking
+41 58 266 82 91
oliver.lips@aon.com
Links to international Aon Market Reports

Click on the picture to view the report.
About Aon

Aon plc (NYSE: AON) is the leading global provider of risk management services, and of HR insurance and reinsurance brokerage services and consulting. With over 50,000 employees in more than 120 countries – 350 of which in seven locations in Switzerland – AON has access to unique resources and technical know-how enabling it to provide clients with innovative and efficient solutions. Aon has received numerous awards from specialist magazines and journals as best global brokerage company, insurance and reinsurance broker, captives administrator and benefits consultant. Read more about Aon at http://www.aon.com, and visit http://www.aon.com/chesterunited to learn more about Aon’s partnership with Manchester United.

© Aon plc 2019. All rights reserved.