MARKET PRESENTATION
SWITZERLAND

www.lloyds.com/SwitzerlandMI

October 2014
Graham West, General Representative, Switzerland
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1 THE MARKET

- The Economy & (Re)insurance
- Key Class
- (Re)insurer rankings
- Distribution
THE MARKET > The Economy

ECONOMIC HIGHLIGHTS

- **ECONOMIC GROWTH:** +1.3% (2014)
  Underlying GDP growth is expected to weaken temporarily in 2014, but strengthen a new to almost 2% in 2015.

- **INFLATION TO HOVER AT AROUND 0%:** challenging but stabilising
  Inflation will remain near zero for some time. Massive Swiss franc appreciation during 2010–11 and the absence of any major correction since have been largely responsible.

- **EXPANSIVE MONETARY POLICY:**
  The Swiss National Bank is expected to keep its key policy rate at its record-low level of zero until at least early 2016.

### AREAS TO FOCUS ON

- Close relations with EU and economic and political uncertainty (Eurozone, Russia, Middle East) dampen (albeit still positive) GDP prospects.

- Domestic political uncertainty caused by “mass immigration” referendum: effect on CH – EU bilateral treaties, employment market.

- China Free Trade Agreement effective 1 July 2014 promises growth in bilateral trade and investment.

Source: Market Intelligence calculation based on: IHS Global Insight, (2014); www.ihs.com
THE MARKET > Insurance

MARKET HIGHLIGHTS

- Number of non-life market players near-static: 111 incl. 43 branches of foreign insurers.
- Non-life market GWPI growth of 1.2% exceeded in CHF terms by Lloyd’s (4.1%).
- Greatest growth in smaller classes driven by macroeconomic factors (Credit, statutory Accident etc.).
- Premium decline and intensified competition in Property, MAT.
- Loss ratio for all non-life classes (including Health): 61.4%. Highest in Motor TPL and Accident classes.
- Market combined ratio 81.3% (2012: 86.0%).

Source: Market Intelligence calculation based on: Swiss Insurance Association (Oct 2014) http://www.svv.ch
CLASS HIGHLIGHTS

- Number of FINMA-supervised reinsurers increased by one to 28 per end-2013; reinsurance captives static at 34.
- In 2013, reinsurers’ GWPI grew by 5.8% in 2013 and earned premiums increased again by 6.4% for own account.
- Retroceded portion declined by 7.9% in CHF terms to 19% of whole.
- Notable growth in non-life reinsurance (e.g. long-tail business: 27% in earned premiums); decline in Life reinsurance 2013 premiums due to one-off factors.
- Greatest growth from Europe (+ 15.8% year-on-year), Asia-Pacific; equal geographic split from three regions.
- Market loss ratio 55.9% (2012: 61.5%) influenced by very low ratio (29.5%) in cat. business and prior year reserve releases.

Life versus non-life Reinsurance
GWP (in GBP bn)

Detailed Statistics can be downloaded in the Class Review Lite
www.lloyds.com/SwitzerlandMI

Source: Market Intelligence calculation based on: Swiss Insurance Association (Oct 2014) http://www.svv.ch/
**THE MARKET > General Liability**

**CLASS HIGHLIGHTS**

- Reporting definition includes all Liability classes except Motor TPL.
- GWPI grew 1.7% year-on-year 2013/2012.
- Liability premiums represent 11.8% of the non-life market (excl. Health), but are among classes with greatest growth potential.
- Paid Liability claims declined by 5.7% in 2013 but strengthening of technical provisions led to 9.7% rise in loss ratio to 47.8%.
- Market leaders, General Liability: Zurich, Mobiliar, AXA.
- Leading non-Swiss players: AIG, Chubb, Lloyd’s.
- Market leaders, P.I.: Allianz, AXA. Lloyd’s leading non-Swiss insurer (7.2% market share in 2013.)

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**General Liability Premium & Loss Trends**

*GWP in million GBP*

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Written Premium</th>
<th>Paid Claims</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>929</td>
<td>468</td>
<td>50.4%</td>
</tr>
<tr>
<td>2009</td>
<td>1,136</td>
<td>611</td>
<td>53.8%</td>
</tr>
<tr>
<td>2010</td>
<td>1,220</td>
<td>556</td>
<td>45.6%</td>
</tr>
<tr>
<td>2011</td>
<td>1,344</td>
<td>747</td>
<td>55.5%</td>
</tr>
<tr>
<td>2012</td>
<td>1,289</td>
<td>585</td>
<td>45.4%</td>
</tr>
<tr>
<td>2013</td>
<td>1,344</td>
<td>565</td>
<td>42.1%</td>
</tr>
</tbody>
</table>

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**Source:** Market Intelligence calculation based on: Swiss Insurance Association (Oct 2014) [http://www.svv.ch](http://www.svv.ch)
KEY TRENDS

- High market concentration remains: 9 insurers account for 83.4% of Non-life market.
- No significant branch authorisations known to be in the pipeline.
- October 2014: takeover of Nationale Suisse by Helvetia passes last hurdles. Combined entity would have 8.7% share of Non-life market.
- Some fall-out expected re. duplication of structures; key portfolios in Fine Arts, Engineering.
- Most branches (43) of foreign insurers remain speciality / niche players.

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2013 Insurance Market Competitor Ranking

Top ten insurance companies ranked by Gross Written Premium (GBP m)

- **Axa**: 2233
- **Zurich**: 1789
- **Mobiliar**: 1698
- **Allianz Suisse**: 1217
- **Helsana**: 1012
- **Basler**: 908
- **Swica**: 828
- **CSS**: 789
- **Visana**: 702
- **Generali Assurances**: 558

Legend
- Health insurers

Source: Market Intelligence calculation based on: Swiss Insurance Association (Oct 2014) [http://www.svv.ch](http://www.svv.ch)
### KEY TRENDS

- Data relates to 28 reinsurers, domiciled in Switzerland.
- One new authorisation granted – Qatar Reinsurance Co LLC, Doha, Zurich branch.
- Hub provides access to continental European markets and cedants.
- A captive reinsurance location, but smaller in scale than Guernsey and Luxembourg.
- 34 reinsurance captives (unchanged on 2012); most underwrite numerous lines of business.

### 2013 Reinsurance Market Competitor Ranking

<table>
<thead>
<tr>
<th>Company</th>
<th>Gross Written Premium (GBP m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiss Re</td>
<td>11276</td>
</tr>
<tr>
<td>Europäische</td>
<td>3438</td>
</tr>
<tr>
<td>Swiss Re CSL</td>
<td>1942</td>
</tr>
<tr>
<td>Catlin</td>
<td>1229</td>
</tr>
<tr>
<td>Euler Hermes</td>
<td>1003</td>
</tr>
<tr>
<td>NewReinsurance</td>
<td>910</td>
</tr>
<tr>
<td>SCOR</td>
<td>790</td>
</tr>
<tr>
<td>Amlin</td>
<td>735</td>
</tr>
<tr>
<td>UNIQARe</td>
<td>647</td>
</tr>
<tr>
<td>ACE</td>
<td>507</td>
</tr>
</tbody>
</table>

Source: Market Intelligence calculation based on: Swiss Insurance Association (Oct 2014) [http://www.svv.ch](http://www.svv.ch)
**KEY TRENDS**

- No authoritative, published data/rankings for insurance brokers.
- Conservative buying patterns.
- Tied agents dominate personal lines and small commercial accounts.
- Direct marketing organisations focusing on affinity groups.
- Leading international brokers present in own name or through associate companies e.g. Kessler, SIACI-Saint Honoré.
- Some cross-border M&A, participations e.g. Funk (GWP), Verspieren (Optimum).

**Sales channels estimate**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Brokers</th>
<th>Agents</th>
<th>Direct Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Lines</td>
<td>12%</td>
<td>85%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Lines</td>
<td>23%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Industrial Lines</td>
<td>70%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on MI market share by line of business and by distribution channel estimates
THE MARKET >Summary

Economy: Swiss economy remains healthy…
…but not isolated from Eurozone turbulence / political uncertainty.

Innovative exporters drive economic growth despite strong Franc.

Insurance: Limited growth potential in mature market

Competition has put pressure on premiums in most lines of business.

Greater growth potential in smaller Classes / newer products and services.

First signs of consolidation (Nationale Suisse)?

Reinsurance: Zurich established as a ‘secondary hub’

No recent entrants after extended growth phase.

Retrocessions ca. 19% of total GWPI of supervised Swiss reinsurers, but much lower for Swiss insurers with higher retentions.

Source: Market Intelligence based on Country Manager, (October 2014)
LLOYD’S

- Local Presence
- Business Profile
- Zurich Office Support
- Events 2014/2015
Concentrations of intermediaries in main commercial centres: Zurich, Geneva and Lugano.

Wider regional coverage will depend on specialist know-how and clients which new intermediaries can attract.

Coverholder model remains established; growing interest from MGAs.
LLOYD’S (Re)insurance Profile

Chart: 2008 – 2013 Total Premiums
Gross Signed Premiums (GBP m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Insurance</th>
<th>Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>84</td>
<td>98</td>
</tr>
<tr>
<td>2009</td>
<td>107</td>
<td>126</td>
</tr>
<tr>
<td>2010</td>
<td>128</td>
<td>126</td>
</tr>
<tr>
<td>2011</td>
<td>127</td>
<td>162</td>
</tr>
<tr>
<td>2012</td>
<td>134</td>
<td>161</td>
</tr>
<tr>
<td>2013</td>
<td>126</td>
<td>194</td>
</tr>
</tbody>
</table>

Chart: 2008-2013 CoB Premium Trends
Gross Signed Premiums (GBP m)

- **Accident & Health**
- **Casualty**
- **Casualty Treaty**
- **Energy**
- **Aviation**
- **Marine**
- **Overseas Motor**
- **Property D&F**
- **Property Treaty**
- **UK Motor**

2013 GROSS SIGNED PREMIUMS*

- **Total**: GBP 320.1m
- **Insurance**: GBP 126.4m
- **Reinsurance**: GBP 193.7m

*COUNTRY OF ORIGIN PREMIUMS
- Policyholders are based or headquartered in this territory;
- Premiums may be written outside this territory;
- Not necessarily where risks are located
- May differ to what is reported to local regulator (dependent on local requirements).

Source: Market Intelligence based on *Gross Signed premiums; Xchanging (2014); unaudited figures based on country of origin and processing by calendar year; see Appendix for details

© Lloyd’s
Lloyd’s experienced modest portfolio growth up to Q3 2014, notably in Specie and Goods in Transit.

These two remain the largest components, along with Liability (General & Professional Risks), Accident and Property.
Significant reduction in Gross Premiums in 2014, and notably in Marine Hull, Pecuniary Loss (Facultative) and Property Classes (Excess of Loss).

- Predominance of Energy derives from captive-related business.
Legal & Regulatory

- **Protects and strengthens Lloyd’s trading rights:**
  - Proposal for statutory earthquake scheme
    - March 2012: Motion Fournier approved by Parliament.
    - May 2014: Lloyd’s provides input to consultative process.
    - June 2014: No agreement possible among cantons on national scheme with unitary premium. Federal scheme would require changing constitution.
    - No Parliamentary time yet scheduled to consider options.
  - Draft Federal Financial Services Act (FFSA/FIDLEG)
    - No direct effect on Lloyd’s, but potential changes for brokers.
    - Independent insurance intermediaries must be ‘independent’ for all their services. This may cast doubt on broker/coverholder model.
    - Commissions would not be payable by insurers to brokers.
    - Lloyd’s made formal submission on 17 October 2014.
    - Further lobbying to preserve current Lloyd’s model.
LLOYD’S > Zurich Office Support

Support for Distribution Network
- Support for local regulatory approvals.
- Problem solving (e.g. brokers’ professional indemnity cover).
- Broker education (e.g. LSBA seminar).

Support for Market Development
- ‘Marriage broker’ for brokers and Managing Agents.
- Brand protection and promotion.
- Enhanced use of technical events (e.g. Class of Business).

Source: Market Intelligence based on Country Manager, (October 2014)
Organised by Lloyd’s

**LSBA Seminar, Zurich** *(8 April 2014)*
Lloyd’s for new Swiss brokers.

**Swiss Networking event, Bern** *(16 October 2014)*

**Inga Beale at British-Swiss Chamber of Commerce, Zurich** *(21 November 2014)*

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**Planned Events**

April 2015: Visit of Association Suisse des Diplômés en Assurance (ASDA) to Lloyd’s, London.

June 2015: Class of Business event (class to be decided following consultation with market), Zurich.

October 2015: Swiss Networking event, Geneva.

Possible claims seminar, venue tbc.
OPPORTUNITIES

- Insurance Classes & Distribution
- Your tools
OPPORTUNITIES

Specialised Insurance Classes e.g. Political Risks & Cyber

KEY CONSIDERATIONS:
- International nature of Swiss industry/corporates.
- Rising level of awareness amongst insured’s of new threats.
- Few fully developed competitor products on market.

Liability Classes incl. Professional Indemnity

KEY CONSIDERATIONS:
- Corporate governance high on Political agenda (e.g. Minder initiative).
- Proven Lloyd’s expertise but …
- … need for locally compliant wordings in a local language.
- Local brokers may otherwise place business in local market as default option.

Making better use of the Local Network

KEY CONSIDERATIONS:
- Interest in co-operation with Lloyd’s remains high: 55 OMC’s (2013: 40) but…
- … many currently produce little or no business.
- Many are working in niche areas.
- May be able to work with a local wholesaler or coverholder.
- Investment of time in educating OMC’s in Lloyd’s working methods.

Source: Market Intelligence based on; Country Manager (October 2014)
OPPORTUNITIES > Your tools

CLASS REVIEW LITE

Serves as foundation for market & Lloyd’s stats for Switzerland

2015 CLASS REVIEW - FULL VERSION

Please share with us any feedback on the Class Review Lite and let us know which themes & classes you want us to focus on for next year’s Class Review Full Version.

COUNTRY MANAGERS

Share with Lloyd’s Country Managers your business appetite

- 1:1 Meetings / Advice
- Industry Events
- Introductions
- Class of Business Event

2015 CLASS OF BUSINESS EVENT (June 2015)

Please share with me the classes you are interested in our follow up email of this Market Presentation.
CONCLUSION

KEY OBJECTIVE FOR LLOYD’S SWITZERLAND:
‘Facilitate the growth of Lloyd’s as the market of choice for the specialist (re)insurance requirements of Swiss insureds, reinsureds and intermediaries’

Market Access: Defend Lloyd’s current trading status and brand reputation
- Work with market and IRA to avert or adapt to potential negative consequences of FIDLEG.
- Ensure no increased compliance burden on market (solvency, brokers’ P.I., BAG UVG enquiry).
- Review and enforce adherence to brand guidelines of intermediary network.

Distribution: Intensify work with accredited Lloyd’s Swiss intermediaries
- Research potential new Lloyd’s Swiss intermediaries; promote Lloyd’s to that group.
- Reinvigorate relationship with Lloyd’s of those OMCs not currently generating business.
- Widen geographical coverage of Switzerland by the network.
- Review scope for local accreditation of in-house brokers.

Tailored Services: Engage with and provide services to Managing Agents
- Develop and promote to M.A.s an explicit Swiss service offering, aligned to Lloyd’s.
- Provide continued local support to Managing Agents with Swiss underwriting presence.
- Determine and provide tailored services to Managing Agents underwriting from London.

Source: Market Intelligence based on Country Manager, (October 2014)
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Summaries of recent industry news and events, that are available in some Lloyd’s territories.

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APPENDIX > Limitations & Disclaimer

LLOYD’S DATA LIMITATIONS
Please note the information contained in this document is based upon data collected from Xchanging and may be incomplete for some classes of business; for instance a substantial figure, which is missing from the REG 258 data set is comprised of UK Motor, which is not processed by Xchanging.

Gross Premiums: Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Lloyd’s figures are based on gross written premiums based on figures processed by Xchanging by processing year and country of origin.

Country of Origin: denotes the country from where demand for the insurance / reinsurance emanates; i.e. the coverholder or policyholder, irrespective of the country to which the risk is classified for regulatory reporting purposes.

Processing Year: relates to the calendar year in which the premium, additional or return premium is processed by Xchanging, irrespective of the actual underwriting year of account of the risks (which is determined by the inception date of each risk).

Example: A policy holder in the UK insuring a holiday home in France would be classified as a UK risk by Country Of Origin, but French for regulatory reporting purposes. Similarly a risk incepting on 1st December 2007 would be classified at 2007 underwriting year of account but may not be processed by Xchanging until 2008 and so be allocated to the 2008 processing year.

EXCHANGE RATE POLICY
Annual average exchange rates are used in all conversions.

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