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The annual magazine of the
Swiss Insurance Association

Annual General Meeting 2019



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Editorial

Dear readers

Have you ever felt bad because the sun has been shining for weeks on end? We should be glad, should we not, if the summer doesn't ever seem to end, the weather is beyond beautiful and there is no rain at all to spoil our pleasure. However, we cannot help but ask the following question: Is all this due to climate change?

Long periods of drought and heavy rainfall: Natural perils have been part of insurance for decades. As insurers, we continuously evaluate the risks. What do we need to prepare for? What loss scenarios are likely? This is our core competence. This is what we know. This is what makes us a major dialogue partner in many fields, not least in climate change issues. Climate change preoccupies the insurance industry – not only on the claims side, but also on the investment side. On the one hand, climate-related risks must be considered. On the other, insurers can exert a controlling influence through their investment decisions, p. ex. by favouring sustainable investments. We are a major, long-term investor. As such, we assume our economic responsibilities.

"VIEW," our new annual magazine, has dedicated an article to this subject. It also focuses on four key topics that illustrate what has been driving our industry in the past year and our importance in these crucial issues. The magazine tells you about the challenges associated with demographic change, about the meaning of customer protection in insurance, about commercial apprentices and their trips abroad, and about potential barriers to the introduction of new technologies. An extensive overview about our industry's key topics can be found under www.svv.ch/de/jahresbericht2018 (in German).

Yours sincerely

Thomas Helbling
CEO Swiss Insurance Association



The state of business: Thomas Helbling, CEO of the SIA, and Rolf Dörig, Chairman, look back on a successful year and discuss open issues.

“Insurers assume economic responsibility”



In 2018, the private insurance industry performed successfully. Premiums rose both in life and in property and casualty insurance as compared to the previous year. With direct gross value-added of nearly CHF 30 billion, insurers contribute slightly less than 50% to the financial sector's gross domestic product. Rolf Dörig and Thomas Helbling talk about the reasons for the industry's success – and about issues that still need to be quickly addressed.

The private insurance industry has had a very good year – but you are criticising the conditions it operates under. Why this need for better conditions?

Thomas Helbling: In 2018, the insurance industry once more demonstrated its stability and performance. This is a good sign, as insurers also assume economic responsibility: By settling claims, they protect individuals from social hardship and companies from economic ruin. Moreover, they have an important function in old-age provisions. At first glance, we can't complain about nearly anything.

Rolf Dörig: Yet, we keep asking ourselves: What does our industry need to continue assuming these responsibilities successfully? As everyone knows, interest rates are low. In a low interest-rate environment, it is well near impossible to generate the benefits stipulated in the political arena in a sustainable manner. The savings-based system is being stealthily undermined by a pay-as-you-go system. Younger

generations pay for the benefits drawn by their elders. This does not correspond to the concept of our occupational pension system.

Thomas Helbling: If we want our tried and tested Three Pillar System to continue, we need to keep pointing this out. The challenging conditions last year also caused AXA, formerly a major provider of full pension insurance, to exit this line of business.

Life insurance is a long-term business. Would it not be possible to compensate for the damages done by the pay-as-you-go system in the long run?

Thomas Helbling: As you say, this is a long-term business. And that's exactly the reason why it is important to set the right course now. If you pay into a Second Pillar scheme today, you want to make sure that you will reap the benefits in 20, 30 or even more years from now.

Rolf Dörig: Of course, interest rates may well shift at some point. However, we don't know if that's going to happen and when it is going to happen. Who would have thought that we would have to make do with negative interest rates for years on end? Hoping that we can turn the situation around soon thanks to an imminent rate increase, would be criminal negligence, indeed.

In your view, the guaranteed minimum interest rate and the conversion rate are overly high. Don't you think that trust in the pension system's reliability will erode if you demand benefits be cut?

Rolf Dörig: On the contrary. If we promise benefits that we cannot finance, we actively endanger our customers' confidence.

What needs to be done to stabilise the old age provision system?

Rolf Dörig: The system needs to be depoliticised. The minimum interest rate and the conversion rate need to be adapted to reality. This means that they will fall. Life expectancy is rising continuously, which means that the retirement age also has to get in sync with this trend. If women were to retire at age 65, it would be a step in the right direction.

The property and casualty business has also grown. What are the drivers?

Thomas Helbling: Overall growth was 2.2%. Property insurance grew by 9.9%, driven by general economic growth, construction activity and an increase in purchasing power. Premium income in the personal insurance field rose by 3.4%. Continuous high demand for supplementary health and accident insurance and higher tariffs due to the cost increase in healthcare have been the main drivers.

The revision of the Federal Act on Insurance Contracts gave rise to some fierce criticism of the Swiss Insurance association and the Swiss parliament. It has been said that the revision was only in the insurers' best interest. Has the industry lost sight of its customers?

Thomas Helbling: The industry's success would be unthinkable, if it did not concentrate on its customers. There is one thing we shouldn't forget: Insurers pay out nearly 130 million a day in benefits and claim settlements.

Rolf Dörig: Stating our case is part of the political process. Currently, the insurance industry works well. It should not be hindered by unnecessary (over)regulation, as this only involves additional costs for our customers without adding much value at all.



Last autumn, the Swiss voted clearly in favour of investigating recipients of social assistance benefits for fraud (social detectives). Were you surprised by this result?

Rolf Dörig: Social insurance enjoys a high level of trust. However, the Swiss people also want to make absolutely sure that there is no abuse. The voters have expressed this healthy attitude at the ballot box.

In this case, the political reaction was very quick. Where would you have hoped for similar speed?

Thomas Helbling: The legislator was able to rely on a best practice framework and thereby create legal security in an extraordinarily short amount of time.

Rolf Dörig: Democratic processes are time-consuming. The old-age provision system, however, has been in need of urgent action and reform for years. Our politicians have to finally get into gear and find sustainable solutions for future generations.

The minimum interest rate and the conversion rate need to be adapted to reality.

The SIA is working on a new strategy. What can you tell us about its focus?

Thomas Helbling: We need to concentrate on issues that are decisive for our future existence, such as sustainability, innovation and our role as an employer in a changing work.

The SIA's organisation has been adjusted in 2018. How successful is the new structure?

Rolf Dörig: The association had been well positioned all along. The new structure aims to make our extra-official bodies more agile yet enlarge the focus – on Education Strategy and Employer Issues for example. In doing so, we can count on the extraordinary commitment of our members and the professional support of our head office.



The SIA's video comments on the year 2018:
www.svv.ch/de/jahresbericht2018 (in German)



New ideas for old age

A Swiss community invents a new policy agenda on ageing

The ageing society puts the welfare state to the test. It is not enough to find alternative financial resources – Horgen, a local community on Lake Zurich, is carving a new, pioneering path. This approach not only lowers the costs of care, but also meets the needs of the community's inhabitants.

“Jeder soll nach seiner Fassung selig werden” – roughly translates as “to each his own.” It is the most concise expression of liberalism and was coined by Frederick the Great of Prussia. As far as the image of old age and long-term care is concerned, though, for the public, the king's words seem to have vanished into thin air. For many, the term “admission” evokes a court decision rather than a voluntary decision. Care homes were seen as joyless institutions where people in the last stages of their life had to live under the control of others, eat bad meals, pass long and boring days parked in front of the TV set and go to bed at times that made the mere idea of an enjoyable evening obsolete. Not much of a high life, despite the enormous costs involved.

Today, this image is changing. This is not only due to the need for new policy agendas caused by an ageing society, but also because of a new, confident older generation. Public authorities, institutions and the MedTech industry need to adapt to these new developments. The prevailing demographic trend of the entire living environment of elderly people constitutes a promising growth market.

For local communities, the ageing society represents a new challenge. The trend has an immediate impact on these communities, especially if they need to fund the care provided. For communities in the canton of Zurich this is already the case. Blessed are those who rise to this challenge early on!

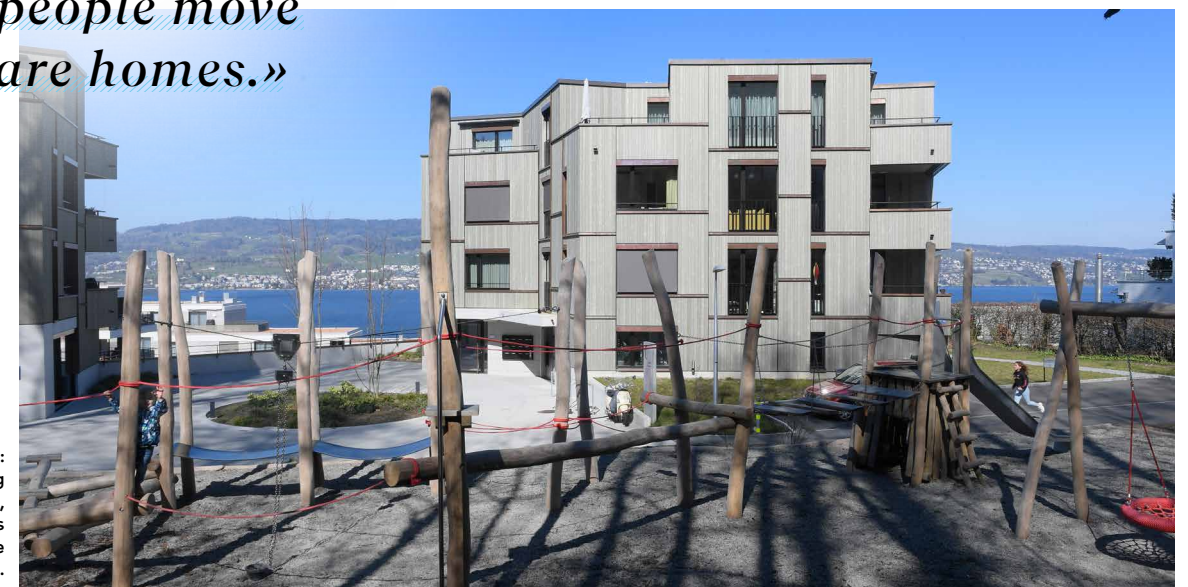
«To this day, too many people move into care homes.»

Horgen, a local community on Lake Zurich has been doing so for many years and in an exemplary fashion. The well-off lakeshore community with its bourgeois and industrialist past actively accommodates its ageing population. Nearly 30 years ago, the community drafted an old-age policy which continues as the basis for all ulterior developments. The main idea consists of maintaining people's autonomy for as long as possible. Elderly people should be enabled to live at home for as long as they want and are able to do so. This not only lowers the cost of care, but also corresponds to the wishes of this new generation of senior citizens.

The overall objective of the Horgen old-age policy consists therefore in strengthening all aspects of care that precede the admission, says local councillor and Head of the department society in Horgen, Hans-Peter Brunner. “To this day, many people move into a care home although staying at home would be a viable option,” says Brunner. This seems to be an automatic reaction stemming from a traditional attitude towards the elderly which causes considerable, unnecessary cost to the community. Targeted offers are set to change this:

The “Strickler” housing scheme is the latest brainchild of the Horgen old-age policy planners. It aptly symbolises the entire approach. The estate high above the lake has a beautiful view. For the last two years it has been housing a deliberately mixed-age population. Two thirds of the 44 apartments are earmarked for people over 60, while the rest is rented to families. People wanting to move in formally undertake to actively participate in a “caring community.”

A new approach:
The “Strickler” housing
scheme in Horgen,
Switzerland, houses
a deliberately mixed-age
population.



This means: Younger and older people live together, supporting and assisting each other as good neighbours would. A “housing assistant” employed by the municipality monitors their efforts and mediates. Professional institutions such as the out-patient care organisation Spitex are only called in if the need arises. “It goes without saying that the state stays away from people’s private lives if possible,” says liberal democrat Brunner, a member of the canton’s legislative chamber. It should, however, set the framework for a harmonious coexistence and an independent life for the entire population. The “Strickler” estate provides such a framework – up to a person’s last breath. An integrated residential care group accommodates 11 persons in need of care and round-the-clock assistance. The planning application for a new, similar project with some 180 apartments is close to being submitted.

However, the Horgen old-age policy does not begin and end with mixed-age living. Luckily. A first evaluation has shown that not all inhabitants of the “Strickler” estate are willing to practise this form of community living – despite long waiting lists and a sophisticated allocation process for the individual apartments. Moreover, tenant fluctuation has been unexpectedly high despite the attractive conditions. This is namely the case with younger tenants. The phenomenon is now being analysed.

Whatever the results – a viable old-age policy is always based on more than one pillar. Horgen also practises comprehensive living assistance: Three estate and living assistants look after the elderly people who still live at home, providing support in everyday life. They visit the inhabitants at home, establish contacts, inform them about services and offers and organise professional support if need be.

The free-of-charge counselling service “Health and Ageing” complements this offer. Set straight in the middle of the village, it connects to the meeting point for senior citizens and its cafeteria. This is where people gather to spend time with their friends, to play cards, to go on excursions, to help each other with tax forms or to write their living wills. Computer and language courses are a fixed part of the programme, at the repair café prized possessions can be mended, there are exhibitions and film screenings, the “Pixel chasers” – a group of amateur photographers – are based here as are the participants of a running program monitored by Zurich University that literally gets elderly people going.

Good neighbours: The inhabitants of the «Strickler» housing scheme actively participate in a caring community.



Outreach programmes, active and targeted measures for senior citizens, community capacity building, neighbourhood assistance and volunteer work are the principles on which the Horgen old-age policy is based. It is designed to meet both the needs of the older inhabitants and to mitigate the ever-rising cost of care. “A disproportionate number of people is applying for and drawing supplementary benefits,” says Hans-Peter Brunner. And the pressure is not likely to lessen. By 2030 the number of Horgen inhabitants

that are at least 85 years old will have risen by 80%. An intelligent old-age policy is therefore vital for the community’s finances. Of course, this also includes care homes. Horgen

counts five such institutions. “They do a good job and are very efficient,” says Brunner. Care homes are as closely monitored as all other offers. Currently, the municipality is renegotiating all its service mandates with the providers of institutional care.

Municipalities are the appropriate body to do so, says Brunner. At the local level, the financial impact of demographic developments is felt immediately. This has a disciplinary effect, he adds. If social security and complementary benefits were to be funded on a higher political level, financial self-discipline would most likely weaken – with well-known consequences. For this reason, Horgen policy-makers want to stay close to their citizens. And this is why Brunner deliberately refers to Horgen as a “village” – despite it’s 22,000 inhabitants.

A call for political leadership

A column by Donald Desax



“The Second Pillar is suffering from a systemic crisis. Basically, the occupational pension system functions like a savings account: upon retiring, you receive the amounts paid in including interest. However, interest earned is being severely curtailed in order to finance inordinately generous new pensions. Generating returns that would cover the current conversion rate of 6.8% is impossible in today’s environment.

Urgent reforms are needed: By 2029 the last “baby boomer cohorts” will retire. This means that they no longer subsidise the system, drawing benefits instead. Those benefits will be a heavy burden for the AHV/AVS and the occupational pension system (BVG/LPP) alike. Despite the reforms’ being voted down in autumn 2017 by the Swiss people and the Swiss parliament, it would be advisable to immediately implement those elements that might have found consensus – i. e. increasing the retirement age for women to 65 years and decreasing the conversion rate to 6% at the utmost. Furthermore, a contribution to the remaining losses due to overly high conversion rates should be envisaged and compensated through an increase in old-age credits by 13% on average. Technical parameters such as the conversion rate or the minimum interest rate, but also the reference age for retirement should be depoliticised.

According to the Federal Supervisory Commission for Occupational Pensions (OAK BV), CHF 7 billion is being redistributed every year from the working population towards the pensioners. Nevertheless, this crisis is hardly perceived as such. Our politicians, social partners and media have the responsibility to call a spade a spade. Acting as if noting were the matter is inadmissible. Political leadership is called for!

There are three ways of tackling the problem: through increasing contributions, through curtailing benefits, or through working longer (and thus retiring later in life). None of these measures is popular with politicians concerned about re-election. Moreover, the system derailed very slowly, thereby tempting decision-makers to put off solving the problem. Politicians often represent individual interests. Citing salary inequality to argue against increasing the official retirement age for women to 65 is a case in point. No conceivable link exists between those two political and economic demands.

Also, given the demographic trends, an urgent debate on caregiving costs needs to be opened. The think tank Avenir Suisse has launched the idea of a compulsory “care capital,” certainly worth exploring. This is not the only proposal for a future “fourth pillar.” another idea consists of spending time on voluntary work against credits on a so-called time account. These credits can then be exchanged against care work, if the need arises. Care insurance is yet another concept under discussion. In an increasingly ageing population, the cost of caregiving is a time bomb waiting to explode that politicians appear to overlook. All I can do is urge the younger population to build up sufficient savings!”

About Donald Desax

Donald Desax is Head of Group Life Switzerland and a member of the Group Management at Helvetia. He belongs to the Federal Commission on Occupational Pensions and to the Life Insurance Committee of the SIA.

AHV/AVS AND BVG/LPP REFORMS

Crucial and urgent

In the view of the SIA, the state retirement system (AHV/AVS) and the occupational pension system (BVG/LPP) are in need of crucial and urgent reforms. The longer reforms are postponed, the more difficult it will be to stabilise the systems financially and to develop a sustainable model for the future. The Federal Council had planned to publish its message on the “AHV 21” reform by the end of 2018. Postponing the message to the second half of 2019 will not lead to any useful results.



www.svv.ch/de/altersvorsorge
(in German)



Jérôme Cosandey is Director for French-speaking Switzerland and Head of Research on the "Sustainable Welfare State" at Avenir Suisse, that focuses on old-age provisions, healthcare and intergenerational solidarity.

For demographic reasons the costs of care will constitute a major challenge by 2035 at the latest for both the society in general and for the solidarity pact between generations, specifically. From age 55 onwards, earners should be compelled to save a certain monthly sum to cover their future cost of care. Otherwise, with the younger generations dwindling, there will be fewer young people willing and able to shoulder these costs. In case of death, this personal care capital would fall to the person's heirs. Is care capital really a necessity? Jérôme Cosandey at Avenir Suisse is confident that this is the way forward: This model reinforces personal responsibility and relieves the social insurance systems. However, even this model will rely on redistribution to a certain extent.

Jérôme Cosandey, your idea of introducing a compulsory care capital will force people to save. How liberal is that? Liberal, indeed. The fact is that the cost of care is going to rise dramatically. By 2045 the cost of care as compared to the gross domestic product will have doubled for demographic reasons. Caregiving is fraught with major challenges. Currently, there are 12 persons of working age for every over 80-year old; by 2035 there will be only 7. We therefore need liberal approaches to organise future caregiving.

Taking from the young and giving to the old?

Why Avenir Suisse advocates for a compulsory care capital

And that's only possible through new, compulsory charges? Compulsory charges are nothing new. Nowadays, they're called taxes and health insurance premiums. Care capital is not "lost" and there will be no redistribution. Rather, your savings will go into a blocked account and serve to cover your personal cost of care increasing your personal responsibility. Moreover, the remaining capital will be left to your heirs in case of death, thereby meeting most people's desire to leave something to their children.

What if I don't want to leave anything to my children?

By law, any testator's estates currently include compulsory portions - where's the difference?

«As a matter of fact, the cost of care is going to rise dramatically.»

Money usually whets appetite. If care capital were to be introduced, would it not drive up further the cost of care? That certainly is a risk. However, there are market mechanisms to ensure that care homes and other providers work efficiently and keep costs at a reasonable level. In certain places, some of these measures have already been taken.

It would appear that elderly people are nothing but a burden to society and especially to local communities. Of course, they aren't. On the contrary: Many pensioners that are still in good health and mobile dedicate themselves, for example, to looking after their grandchildren or giving care to family members. They also do political work in parties or are active in associations. From a financial point of view, not all pensioners are equal: Some 20% are millionaires with their capital mostly tied to their house. At the same time, about one out of ten pensioners draws complementary state benefits. In care homes, this ratio amounts to one out of two inhabitants.



What changes would your proposal bring about? These persons would not be able to constitute an appropriate care capital either. Some 250 Swiss francs per month - which is what you have foreseen in the beginning - weigh quite heavily on a small budget. Again, premium and taxpayers would have to subsidise.

That's true. But if we don't want these people to end up in dire circumstances and on the street, a certain amount of solidarity is needed. In our approach, support would be given once the care capital has been used up, as befits a liberal system.

Taxes are on the rise, as are health insurance premiums ... Second Pillar savings are being redistributed from the young to the old - will we have any money left to use as we think fit?

Appearances are deceptive: Even if compulsory charges are on the increase, our disposable income is larger than it used to be. It rises continuously, regardless of whether you're "rich" or "poor." We should not underestimate the importance of this fact.

«But if we don't want these people to end up on the street, a certain amount of solidarity is needed.»

BY POPULAR VOTE

A tried and trusted system

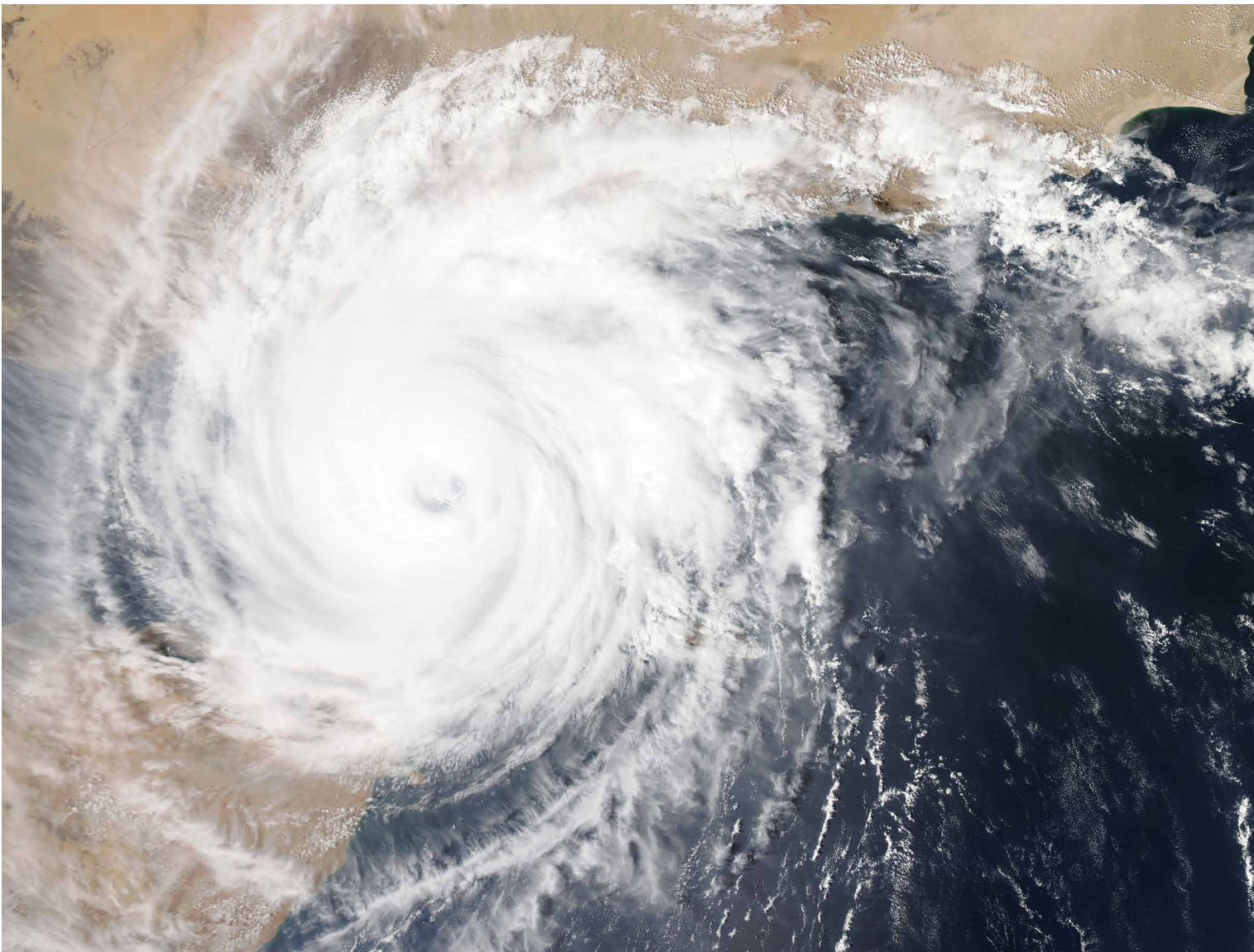
In 2018, voters in the Swiss canton of Vaud opted for the existing dental insurance model.

Last year, the citizens of the canton of Vaud voted on a cantonal initiative which was supposed to introduce compulsory dental insurance. Financially, it would have followed the AHV/AVS blueprint with contributions from employers and employees alike. On 4 March 2018 the current model passed the vote. "Dental care is based on personal responsibility and trust between the dentist and his or her patients," says Dominik Gresch, Head of Health and Accident Insurance at the SIA. Together, dentist and patient come to a decision on treatment and the associated costs. This process is a mainstay of the tried and trusted dental insurance model. "Prevention is also a key factor for the model to work. Compulsory dental insurance would have undermined any prevention efforts." The current model is the reason why Switzerland ranks among the world's top countries as far as dental health is concerned. In early 2019, voters in Geneva also decided against compulsory dental insurance.

The cost of global warming

Insurers – advocating for climate protection?

Natural disasters cause massive destruction. By using models, insurers try to estimate their consequences. When pricing disaster insurance, global warming is rarely taken into account, if at all. Yet.



Hurricane Andrew began as a tropical wave in August 1992 and went on to wreak havoc in Florida. It left a record USD 26.5 billion in damage, of which USD 7.3 billion was covered by insurance. After Hurricane Andrew, people began to realise that hurricanes are among the most destructive natural disasters. It acted as a trigger for insurers to develop risk models for natural catastrophes.

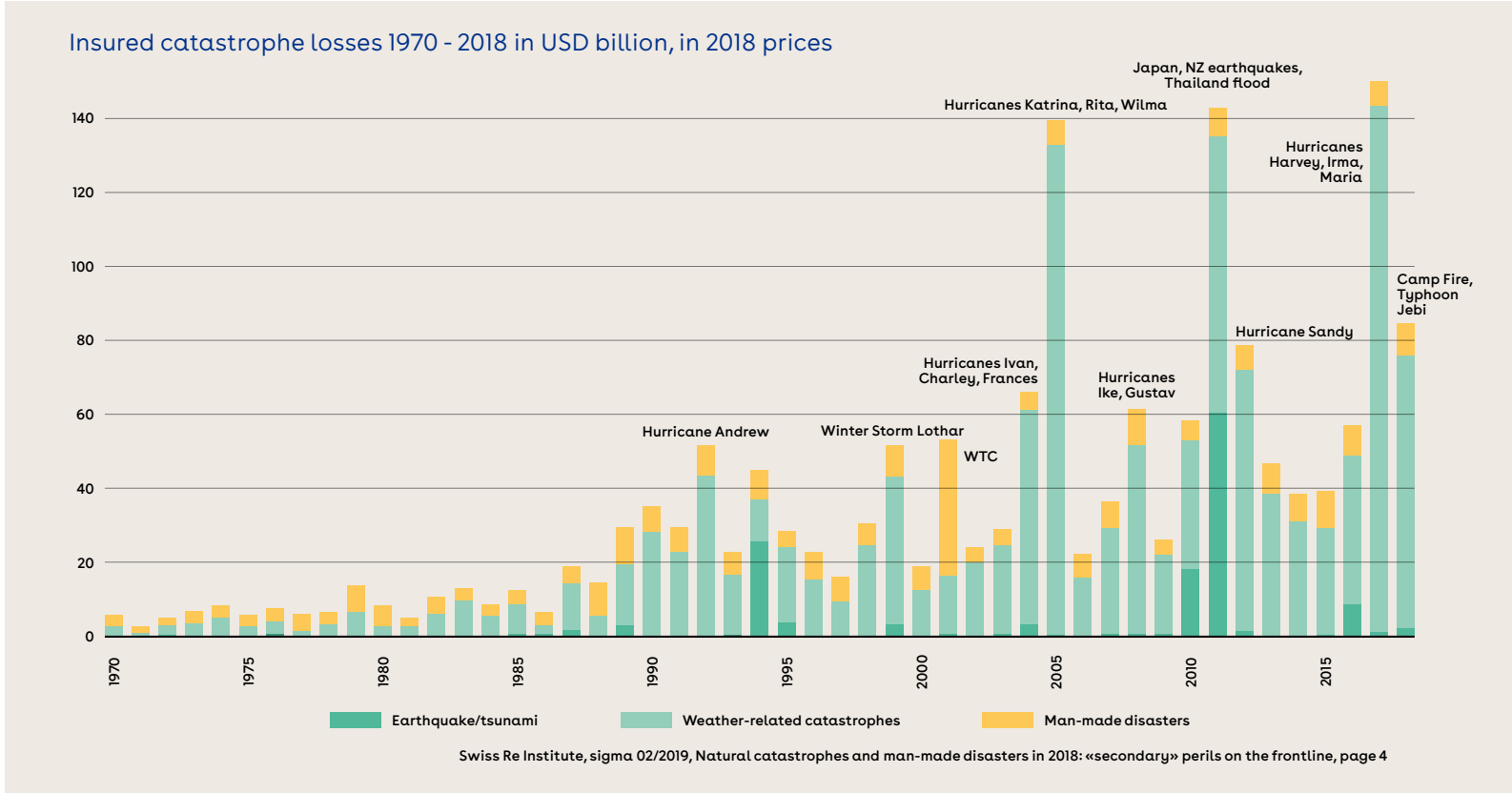
The way the wind is blowing

“We calculate data for hundreds of thousands of potential hurricanes and their eventual paths,” says Lucia Bevere, Senior Catastrophe Data Analyst at Swiss Re. The Swiss Re analysts use these hypothetical events to model scenarios and estimate the consequences for the insurance portfolio: What is the extent of the expected damage and how much of a financial impact will it have?

“As insurers, we have to put a price tag on the risk,” says Lucia Bevere. The price is recalculated annually. “Every year, we adapt our price to the new realities, thereby replicating the then current risks to the best of our ability,” she adds. Pricing also takes the latest climatological research into account. Short-term climate changes are considered, as is the claims development in the wake of catastrophic events. However, long-term risks due to climate change have no

«Pricing risks is the basis of insurance.»

direct influence on the pricing process, as policies usually renew yearly. “As far as the next renewal is concerned, it hardly matters whether we use a 0.5-degree scenario or a 5.0-degree scenario,” says Thierry Corti, Head of Sustainability Risk Management at Swiss Re. Over the next 15 years, the impact of both scenarios is quite similar. After 15 years, though, they drift apart. “This is due to the fact that the trend over the coming years is caused by the emissions of the last years.”



Immense damage

The insurers’ models are based on historic data, combined with the latest research. “We also look at very old publications and data,” says Thierry Corti. “We have decades of reflections on climate change.” However, this doesn’t mean that damage caused by climate change can be quantified. It is hardly possible to isolate single factors from claims experiences. Ten years ago, we lived in a different world. “A few years ago, people started to crowd into regions that are exposed to the forces of nature, such as coastal regions.” Whole areas are now covered by houses and roads. All that concrete means water can’t flow off during torrential rains.” Furthermore, economic development in a given region will result in higher assets, thereby impacting the loss volume. In turn, higher losses cannot be attributed to climate change alone. Even though it is impossible to quantify climate change’s contribution to historic natural disasters, the immense damage caused puts climate change onto the insurers’ agenda.

Disaster analysis

Natural disasters are a risk that has to be taken into consideration. Climate change does have an impact. “We’ve got to take climate change seriously,” says Corti. “Ignoring it is just not an option.” At least, insurers are in a privileged position: “Analysing disasters is part of our business,” Corti adds. “We think about the risk, we try and picture what could go wrong.” Models support insurers in calculating scenarios of potential events unfolding. Corti says, “Let me give you an example: We can make statements about what to expect in a portfolio if the sea level rises by one metre.” This knowledge means that insurers are ideally placed to advise on climate change. “We are non-biased; we are risk-takers,” says Thierry Corti. If a coastal region can no



Natural perils: Rockslides such as the 2017 Bondo disaster can cause immense damage.

longer get insurance coverage, this may have disastrous consequences for those who live and/or work there. “For us, however, it is a market that would be lost.” This objective distance enables insurers to make a balanced assessment. “We look at long-term scenarios with our customers. That means we cannot bet on just one scenario materialising”, continues Corti. For example, analyses can show whether a customer has expanded overly much in coastal regions and therefore might have a problem. This is where reinsurers can advise, for example, by showing that structural measures are needed if the location is to become insurable again.

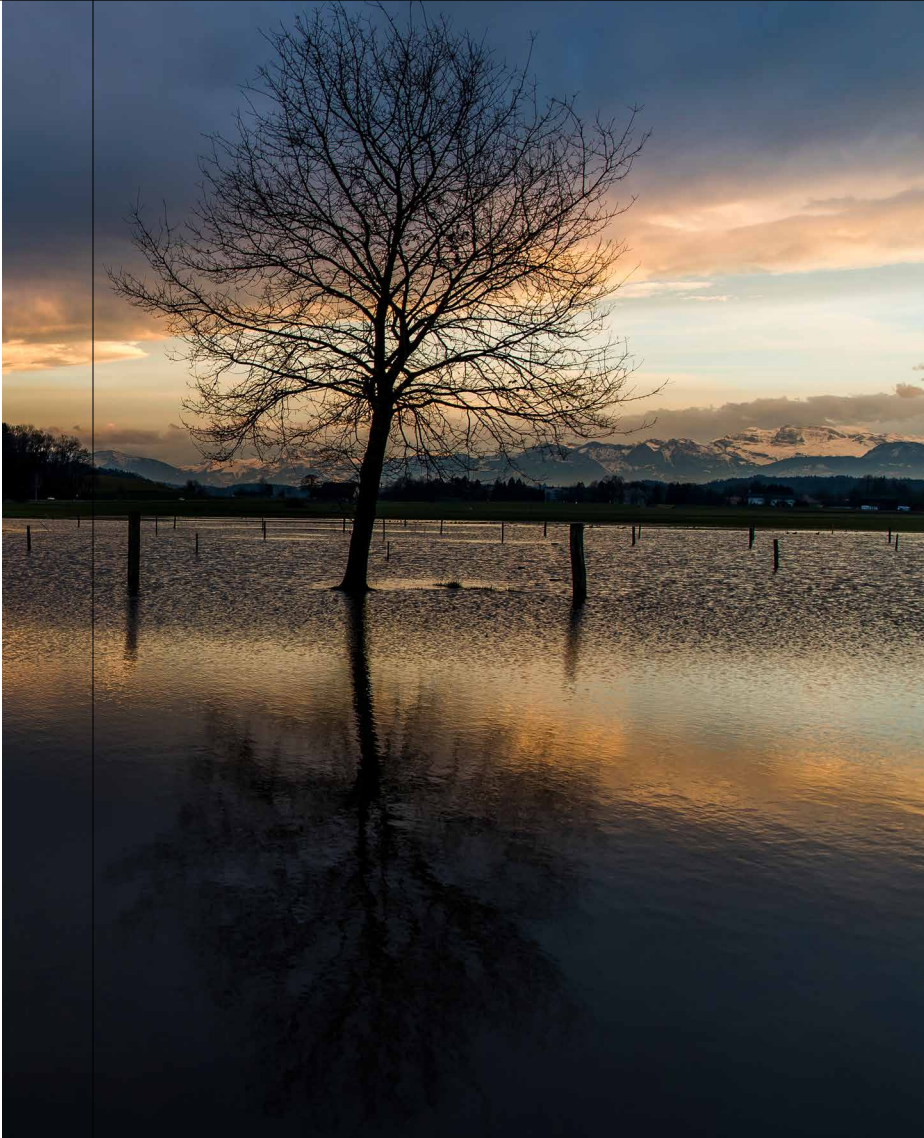
RESPONSIBILITY
Committed
to
sustainability

The Swiss insurance industry takes its responsibilities seriously.

“Sustainability is a topic that ranks highly among insurers. Many of them are already committed and the topic will continue to grow in importance,” says Alex Schönenberger, Head of Economic Issues and Employer Issues at the SIA. This also means that the SIA members intend to include environmental, social and governance (ESG) criteria in their investment decisions. With some CHF 600 billion, the Swiss private insurers count among the major Swiss investors. In the context of corporate responsibility, they know to act in the best interests of their customers and their shareholders – but also of the environment and society at large. When investing capital held at their own risk, insurers therefore intend to take ESG criteria into account, not least when exercising their proprietary rights. This may sound easy, but there are numerous rules and regulations to observe: “In insurance, investing monies entrusted to the insurer is subject to numerous regulations,” says Schönenberger. Customers are entitled to expect that their money is safely invested and generates returns. This is of paramount importance as the monies in question will cover future benefits such as old-age pensions. Therefore, any investment portfolio should also be well diversified.



www.svv.ch/en/sustainability



Flooding: In the wake of winter storm Burglind in January 2018, fields are flooded in Riedikon, canton of Zurich.

Catastrophe models exist for Switzerland, too. “We are able to model winter or hail storms”, says Corti. One thing is sure: Switzerland will not be exempt from climate change. “Dry summers,” “heavy precipitation,” “an increasing number of heat waves,” “winters with very little snow”: The CH2018 climate scenarios of the National Centre for Climate Services NCCS illustrate the potential consequence

«Analysing
disasters is part
of our business.»

of climate change until 2060. Up to the middle of the century, Switzerland will probably see an additional warming by 0.5 to 1.5 degrees Celsius – under a positive scenario, that is. This scenario is likely only if efficient measures are taken to counter the adverse effects of climate change. Otherwise, the climate might warm by as much as 2.5 to 4.5 degrees Celsius.

Our position



Committed to the Paris climate goals

Environmental risks caused by climate change have a major impact on the insurance industry. Global warming means that extreme events become more likely. The SIA supports the Swiss Confederation’s energy strategy 2050 and engages actively in reducing greenhouse gas emissions. Decarbonising Switzerland, combined with a gradual switch to a carbon-free energy supply, is a necessity if we want to limit climate change in the long term.



www.svv.ch/de/klimawandel (in German)



“Prevention is often an afterthought”

Natural disasters are a major challenge for insurers. Preventative measures contribute to avoiding losses, says Ronny Zürcher at Emmental Versicherung.

A propos precipitations: The 2018 hazard map on surface runoffs is a tool which facilitates preventative measures. Has it already proved useful?

At the moment, direct impacts are not easy to quantify. In my opinion, the map is very well done. It should be used much more widely, I think. Some targeted publicity would be appropriate, I think. Even our staff at Emmental Versicherung does not use it as often as could be. It goes without saying, however, that we inform our customers about preventative measures when on location.

About Ronny Zürcher

Ronny Zürcher is Head of Claims at Emmental Versicherung and a member of the elemental damages committee at the SIA.

Ronny Zürcher, which natural disasters did you have to handle in your work so far?

At the beginning of 2018, the European winter storm Burglind wreaked havoc. That is the most recent such event I've had to handle. Before that, the 2014 summer floods in Schangnau (Emmental, Switzerland) and a massive hail-storm in the same region hit us rather hard.

In the aftermath of such catastrophes you often are in contact with people who have lost everything. How do you deal with such situations?

You need comprehensive social skills and an enormous amount of tact. Often, financial questions are not the victims' first priority. This is the hour of truth, this is the hour in which our claims inspectors are called upon to provide assistance and support. They help implement immediate measures and, above all, reassure the victims.

Natural disasters are often attributed to climate change. Has this had an impact on your work?

I couldn't say so. From what I personally see and hear, precipitations seem to have increased. However, this is my personal impression and I have no statistics to back it.



Forces of nature: Clearing up after the river Emme floods in 2014.

How willing are your customers to take such measures?

Not quite willing enough, I'm afraid. Solid insurance coverage instils a feeling of safety. Such feelings can detract from prevention efforts. Prevention is often an afterthought.

Sustainable and economically viable

Sustainable investments through the financial markets can make a contribution to mitigating climate change.

The ESG (environmental, social, governance) spectrum is large, the interaction between the various factors complex, and their impact on the individual business models and companies varied. "At the end of the day, this is data that each analyst needs to actively take into account," says Sabine Döbeli, CEO at Swiss Sustainable Finance SSF. "All concerned have to carefully evaluate the risks represented by each company and its business."

The worst and the best

Today, sustainable investments are mostly equated with ESG compliance, i. e. with all types of investment methods that integrate ESG factors through a standardised process into their investment decisions. "This means that investors actively choose or reject a security. They also tend to actively engage with the issuer," says Sabine Döbeli. Exclusion is the oldest approach: Companies that are active in certain controversial areas are not targeted. On the other hand, investors following a best-in-- class approach look for companies with optimal adherence to their criteria and invest accordingly. The Dow Jones Sustainability Index was first published in 1999. Its components are securities that rank among the top 10% in their industry as far as ESG criteria are concerned. However, these securities are not necessarily issued by successful companies and therefore not necessarily profitable investments.

Active portfolio management

The third - integrative - approach means that financial and sustainable criteria are balanced against each other. ESG factors are not evaluated in isolation but taken into account in the overall investment decision process. This means that investments become possible even though an issuer may not achieve top ESG ratings. Investment decisions are not the only way of enforcing ESG compliance. By becoming an active investor, i.e. by using one's vote in favour of ESG compliance, one can exert considerable influence. Influence can also be exerted by joining forces with other, like-minded investors and entering into an active dialogue with the issuer(s). "This may well be the most sustainable investment approach," says Döbeli. Investors who discuss their ideas for a more sustainable business strategy directly with a company's management will trigger change from within and thereby actively promote their sustainability goals. However, this approach has one major disadvantage: It is not obvious to the beholder. According to Sabine Döbeli, "this means that investors or fund management companies need to be able to show through a clear and easy-to-understand indicator that they meet sustainability criteria."

Preventing dangers

Protective measures contribute to mitigating damages caused by surface runoffs. The new Swiss hazard map highlights the most endangered locations.

About two thirds of all Swiss buildings are potentially affected by surface runoffs. When the soil is saturated and the depression storage filled, continuous rainfall will immediately produce surface runoffs, aka overland flows. Last year, the Swiss Federal Office for the Environment (BAFU/OFEV), the Association of Cantonal Buildings Insurance Institutions (VKG) and the SIA joined forces to launch the surface-runoff hazard map to highlight the most endangered locations. "This map indicates the endangered regions and the potential flood lines," explains Gunthard Niederbäumer, Head of Property and Reinsurance at the SIA. "It also shows where the water is likely to flow. The map covers the entire country, taking into account both built-up and brownfield land."

Over the last several years, overland flows caused 50% of all high-water damage. "A warmer climate increases the chance of heavier and more frequent rainfall. Therefore, the map is crucial in helping to prevent or mitigate damage," says Niederbäumer. "It is intended as a planning tool for planners, owners or even authorities and intervention teams." The map is available free of charge.



Mapping surface runoffs



www.svv.ch/de/naturgefahren (in German)

Making economic sense

Sabine Döbeli states two reasons why investors need to pay attention to sustainability criteria. First of all, it makes sense on an economic level. "Most academic studies show that integrating ESG factors into the investment process leads to better, or at least equivalent, results while lowering the investment risk," Döbeli explains. Mitigating climate change by actively taking responsibility is another substantive argument in favour of active investment. The Paris Convention stipulates that all financial flows need to be consistent with a pathway towards low-emissions, climate-resilient development. Regulatory issues, however, may constitute a challenge for climate activists among the institutional investors: Specific market segments, such as investments in infrastructure, may make a major contribution towards sustainability but also require substantial capital. The financial industry can make a significant contribution to meeting climate goals, but it cannot save our climate single-handedly. Says Döbeli: "Change is paramount in the real economy, too."

*SIA in 2018***35** employees
at the SIA
head office**20** additional experts carrying
out building surveys and
related services**77**
MEMBERS**600/30**

Some 600 representatives of the Swiss
private insurance companies were
involved in 30 standing bodies, various
task forces and working groups

SIA members
account for
over **85%** of private insurance
premiums generated
in the Swiss market

61,2 CHF
BILLION
Premium volume Switzerland*Private Insurers – a significant segment of the economy***7,0** MILLION
insured persons and/or
policies in life insurance**1512** CHF
BILLION
insured lump-sum and pension
policies in life insurance

Life insurance CHF 29.5 billion
Non-life insurance CHF 27.5 billion
Reinsurance CHF 2.3 billion

587 BILLION
CHF
in invest-
ments**30** billion
CHF
gross value added in Switzerland**46 580**
employees in Switzerland**SOME 100 000**
employees abroad**NEARLY 150 000**
employees in total**2000**
APPRENTICES
AND INTERNS

The life insurance companies insure
over **180'000** small and medium-
sized enterprises (SMEs) with roughly
1,2 million employees and pensioners
in the full-insurance system, offering
comprehensive security with guaran-
tees. They also provide risk coverage for
some **70'000** SMEs with some
650'000 employees and pensioners.

OVER 20 MILLION
ACTIVE INSURANCE
CONTRACTS



«I found it very easy to blend in at school.»

Soraya Jöhl is spending her year as an exchange student in the US.

“Truly a ‘wow’ moment”

Spending part of one's vocational training abroad Apprentices in the versicherungsKV international programme can spend a year abroad in France or India, Belgium or the US. This offer is currently being tested.

“I wanted to kill three birds with one stone,” comments Andri Waltisberg, a commercial apprentice at Die Mobiliar who's currently spending a year abroad in Ireland.



«A commercial apprenticeship with a focus on insurance offers comprehensive training and a broad base for many professional opportunities.»

Andri Waltisberg is in Ireland.

Before leaving, he was in two minds about his adventure. Would he and his host family get along? In the beginning, he was apprehensive. “A new culture, new habits, a major change of scenery. But my host family welcomed me with open arms. We bonded quite quickly,” he says. Denusha Mathialagan had a similar experience, with her initial reaction being “I just wanted to go back home.” “But I quickly got over this feeling,” she said. Denusha is completing a commercial apprenticeship at Axa. She fondly remembers participating in events she previously only knew from television. “Football games. Cheering for our team from the bleachers felt like a dream – every single time.”

Reinventing one's self

In the summer of 2018, as Denusha returned from Michigan to Switzerland, Soraya Jöhl had just started to prepare for her trip. “All of us were incredibly nervous,” she says. The Axa apprentice joined a group of exchange students to fly from Zurich to New York. After a night at a hotel and a gruelling bus trip, she finally met her host family in Rochester, New York. After an initial adjustment period, they developed a very good relationship. “We can talk about everything – I'll miss them like crazy when I'm back in Switzerland,” says Jöhl. Reto Stern is with AFS, the organisation that coordinates the exchanges. He knows that all exchange students live through highs and lows during their year abroad. Engaging with another country, another culture and a host family is a major challenge. “People tend to grow up a lot during a year abroad. In the host country, they are on their own. They can reinvent themselves from head to toe,” he says.

«I've always dreamed of being an exchange student.»

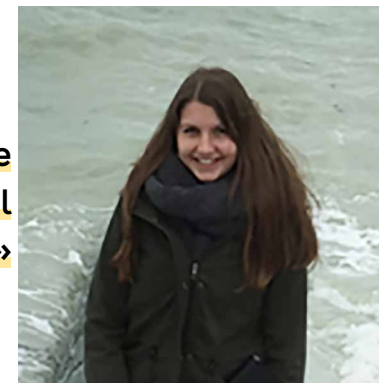
Denusha Mathialagan spent a year in the US.



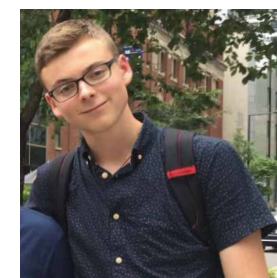
Despite everything, it was the best year of Lukas' life. Student exchanges contribute to the international attractiveness of the versicherungsKV apprenticeship. “This is good

«A once-in-a-lifetime chance to make radical changes.»

Melanie Florian spent a year in France.



for the insurance sector in general and for the individual employer,” says Natascha Mullis, vocational trainer at Helvetia. In the summer of 2019, Helvetia will send three apprentices on an exchange, after a rigorous selection process. All first-year apprentices at Helvetia had been notified to start with. The internal selection process was followed by the AFS process. Once the apprentices have departed, their employer will furnish support if necessary. “We want our apprentices to grow professionally and, above all, personally. A student exchange is an excellent opportunity to do so,” says Natascha Mullis. In case of conflict, AFS, the host family or a local “godparent” are there to lend support. Students also network closely with each other. A year abroad can be quite a mixed experience, as Lukas Hongler knows. The Allianz apprentice spent the year 2017/2018 in Quebec. “My host family and I just didn't gel.” Nevertheless, he calls his year in Canada “the best year of my life.” This is mainly due to his school, his new friends and the experiences they had together. “The best: I now have friends all over the world.” Denusha also fondly remembers her school. There, she learned to play lacrosse. “I won a prize for making the most progress – truly a ‘wow’ moment.”



«I am fascinated by the principle of insurance.»

Lukas Hongler spent a year in Canada.

Nothing ventured, nothing gained.

Regardless of the country, the host family and the experiences, all four apprentices agree that they have definitely gained a year even as they've postponed their apprenticeship exams. For Denusha Mathialagan there is no doubt about it: “I've always dreamed of being an exchange student. I would definitely recommend it.” Soraya Jöhl has found a second home and many friends in Rochester, and Lukas Hongler is happy about his progress in French and his new-found openness towards the world. Self-confidence, knowledge of another culture and progress in another language – Andri Waltisberg shares those goals. “I think I am well on track in every respect”.

“A radical change”

Melanie Florian seized the opportunity to spend a year in France during her apprenticeship. “The benefits were huge for her, but also for her employer,” says Sarah Thurnheer, HR Manager Personnel-in-Training at Swiss Life.

What motivated you to join a student exchange programme?

Melanie Florian: I've always been fascinated by languages. That's why I wanted to go and live abroad. Learning a language on location has been a wish of mine for years, and now it's come true,

Looking back on your experiences: To whom would you suggest going on such a programme?

Melanie Florian: I think everyone could benefit who is curious by nature and interested in trying new things. It is a once-in-a-lifetime chance to make radical changes and come back a different person. However, one should be rather mature. Otherwise, homesickness might become a real problem.

How hard is it to find the right candidates?

Sara Thurnheer: That changes from year to year. We're not only looking for apprentices that are interested, but also for those whose parents are ready to let them “fly the coop.” This is often difficult.

A year abroad has an impact as well on the manager of the apprentice concerned. How difficult is it to convince them?

Sara Thurnheer: Actually ... not difficult at all. Usually, apprentices complete the usual training cycle before leaving. From the outset, most managers realise that this is a major chance for their apprentices and that they will be much more mature when they return.

How did you learn about this offer?

Melanie Florian: It started with a simple survey about student exchanges when I was an apprentice. I was immediately won over, but I thought the offer would only be made to the next generation of apprentices. As soon as we officially heard that one of us would be eligible, I applied.

Sara Thurnheer: As soon as our exchange students return, we send a brief report on their stay to all our staff, making sure that everyone gets to know the programme.

Is there a direct benefit for Swiss Life?

Sara Thurnheer: Absolutely. For instance, Melanie was able to join a new team after her return from France. This team manages the relationships with our customers in French-speaking Switzerland. She was assigned a French-speaking on-the-job trainer and was therefore able to learn all the specialist terms in French. This was a major benefit both for the team and Swiss Life.



“Every single customer contact has its own story”

The insurance industry offers numerous career perspectives. Bernard Dietrich of the SIA’s Education Strategy and Employer Issues commission says that the dual Swiss education and training system instils a broad range of professional skills.

What do you expect the legislature to do?
The labour market demands a flexible approach. Our laws need to set conditions that correspond to reality, instead of preventing modernisation.

Is flexibility all you need to offer to find the right employees?
From what we have learned, flexible working conditions are especially attractive to women. This approach is quite successful. At one general agency, the quota of female agents has already reached 25%. This may not sound like much, but looking at the growth rate shows a very satisfactory result. Remember, when we started out, there were next to no female agents.

How important is diversity?
Very important, indeed, and not only as far as gender is concerned. We need a broad spectrum of complementary skill sets. This also means that we aim to attract people with academic training as well as people with vocational training. Their skill sets are different, and this is what drives us forward.

Do people from a vocational background have the same opportunities as people from an academic background?
Opportunities might be narrower for people who limit themselves to completing their apprenticeship and taking up a position. However, today’s extensive educational offers give people with a vocational background the same career access – if they take up these offers. With an apprenticeship, you just start from a different platform that is more geared towards practical experience.

How difficult is it to recruit the right apprentices?
It is not as easy as it used to be. Many young people opt for continuing their studies instead. Therefore, we must showcase the attractiveness of vocational training, its advantages and the chances it offers. This is not a task for individual companies, but rather one for the entire industry – a task the SIA needs to step up to complete. We need to motivate young people to join us.

Upgrade for the business area Education Strategy and Employer Issues

The SIA has overhauled its structures and upgraded the business areas Education Strategy and Employer Issues.

Altogether, the insurers in Switzerland employ some 46,580 staff with an additional 100,000 abroad. The insurance industry is not only a main pillar of the Swiss economy but also a major employer. In 2018, the Insurance Association restructured and upgraded its business areas Education Strategy and Employer Issues in order to work even more effectively for attractive working conditions. The SIA set up a committee that oversees two commissions. The SIA head office mirrors the new structure of its extra-official bodies in its new division Education Strategy and Employer Issues. The topic has also been included in the SIA strategy under the heading “Developing employment policies and professional paths”.

By rebalancing its structure, the association intends to advocate in favour of all insurance-related questions in primary, vocational and higher education as well as in employment policies. In doing so, the SIA aims to recognise and assess national and international trends and developments in the labour market, labour law and social partnership early on. This structure also facilitates a proactive approach to challenges related to education policies. The Education Strategy Commission and the Employer Issues Commission then address the issues.

Attractive working conditions
Adaptation to the changing world of work is one of the major employer issues. Among others, the SIA is advocating for a liberal framework as far as the recording of working time, working models, maximum working times and the quota of work permits issued to foreigners are concerned. These conditions must be met if the insurance sector is to work successfully and to offer attractive working conditions to its employees. It is also important to encourage employees to apply for leadership positions regardless of gender and to mentor them once in the position.

As far as education is concerned, supporting young talent is a major strategic focus. Insurance companies are attractive employers, but they must be perceived as such by both qualified professionals and young people. Choosing insurance for their future career path has to be a desirable option for young people. As insurers rely on employees with a variety of profiles, the SIA promotes various educational streams, namely commercial apprenticeships (“KV”) as a gateway to the insurance industry, complemented by technical colleges or universities. Given the general shortage of skilled employees, the choice of subject is becoming increasingly important. The insurance industry is looking for qualified scientists, and specialists in mathematics and IT. These subjects should be made more attractive to women, too. However, education policies do not stop at the professional entry level. Demographic change means that “lifelong learning” is rapidly becoming an important issue, as this is the only way of guaranteeing long-term employability.

About Bernard Dietrich
Bernard Dietrich is Head of Distribution & Marketing at Baloise and a member of the SIA’s Education Strategy and Employer Issues commission.

Bernard Dietrich, why should a young person choose the insurance industry?
Very few industries offer as many different career paths within a single company. This means that we can offer a broad range of perspectives. Look at our long-standing employees: Many of them have held various positions throughout their career.

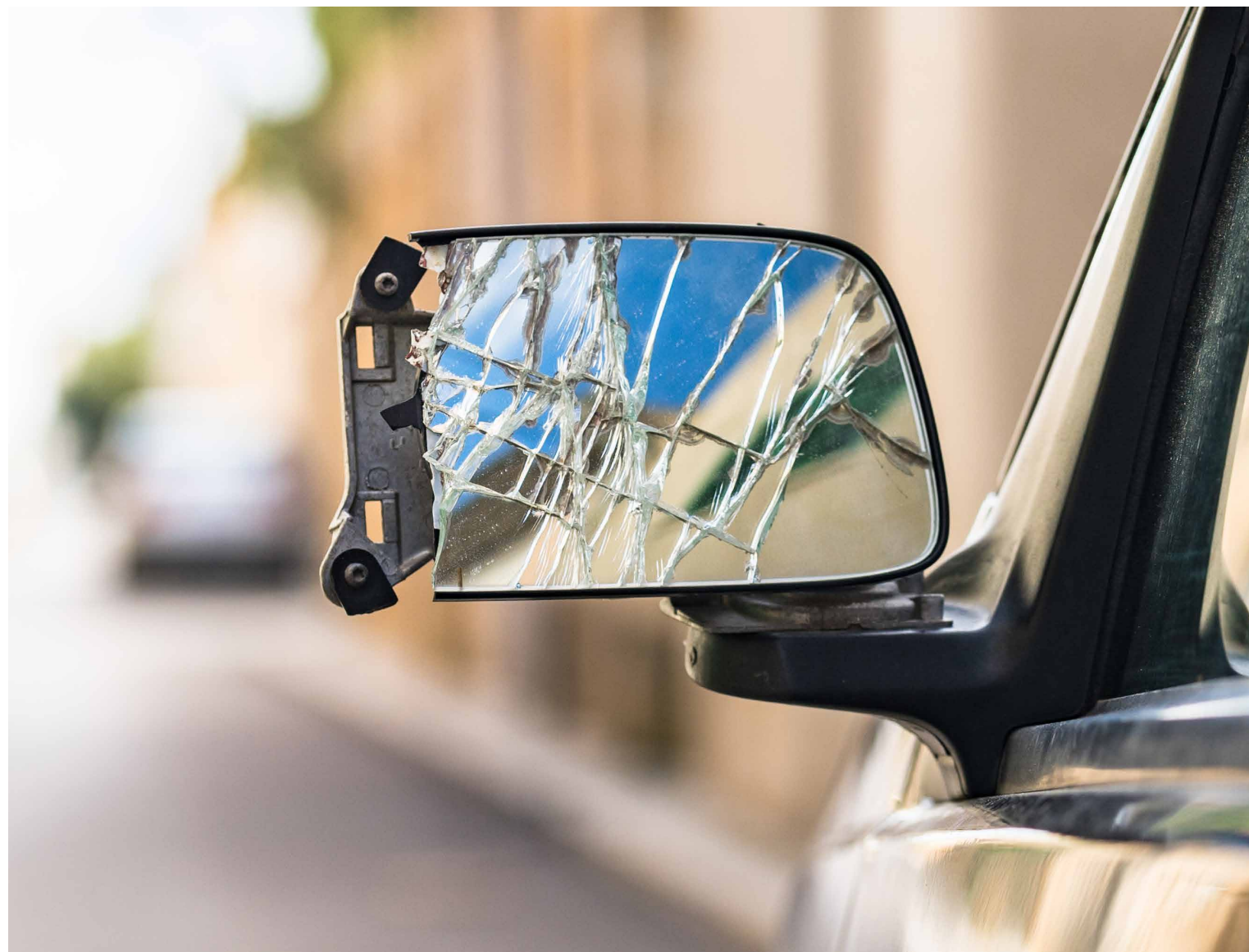
How difficult is it today to find employees with the appropriate profile?
It’s certainly a challenge as the skills required have increased considerably. Expert knowledge is a must, but future employees also need to be able to organise themselves and manage their time efficiently. They need to be able to manage change and to acquire additional expertise rapidly. They also have to be capable of innovative thinking: Innovation needs a certain mindset, after all.

Is there a special skill set required to become an insurance agent?
Of course, today’s insurance agents need to be knowledgeable in many fields, including digitisation. However, their success actually lies in their social skills: Every single customer contact has its own story. That is exactly the reason why this is an attractive profession.

What makes for an attractive employer?
Nowadays, employees are looking for home office and part-time work. Especially for insurance agents, this used to be inconceivable. The prevailing philosophy had it that insurance agents worked either 100 or even 150 percent. We have become more flexible in this respect, in order to recruit and retain the younger generation.

The right to choose entails duties

More and more consumers use comparison portals and other digital aides before going into a consultation. Traditional advisory has to adapt to well-informed customers with very clear ideas – thanks to the digital zeitgeist. But there will always be a need for face-to-face communication in customer relationships.



For the customer, this should be a once-in-a-lifetime event. For Munir Hoxha, Head of Sales at «Zurich» in Baden-Dättwil, it is just another day in his business: Storm Bennet is shaking up Switzerland, grabbing a table-tennis table from a terrace and smashing it into a car parked below. Who will be liable for the damage? The table's owner?

Even accomplished internet users will not be able to find the answer. This is a case for an insurance consultant. And it only goes to show that face-to-face contact cannot be replaced, not even in the age of digitisation. The future may be digital – in all its technical aspects. However, it is well near impossible to digitise trust, the exchange of views, the personal network or anything else that makes a business relationship. "We don't just sell insurance," says Hoxha, "but also emotions." It doesn't take him long to show the owner of the car that the lady who owns the table-tennis table is not at fault. The car owner's insurer will pay to the extent that has been insured.

"Most claims do not entail conflicts with the insured person," says Munir Hoxha. Nevertheless, the insured are not always aware of the nature and the extent of the benefits due to them. At times, this makes for surprises. "Quite often, people believe that their policy covers simply everything and are amazed if that isn't the case," says Hoxha.

Insurer "Vaudoise" has had similar experiences. "People who take out insurance mainly think about premiums. Additional or specific coverage for their expensive camera equipment is at best an afterthought," says Patrick Marro, Vice Director and Regional Head of German-speaking Switzerland. Information is key in avoiding a rude awakening after an insured event occurs. This leads us back to the counsellor. As most customers have only an approximate idea of their real needs, it is vital that the counsellor ask the right questions.

In some cases, namely with digital natives, this task can be quite complex, says Marro. Price sensitivity is very high in this segment and so is the need for information. If premium is the first consideration, evaluating the customer's real needs becomes more difficult, Marro adds. Price-sensitive, detail-obsessed digital natives constitute one end of the customer spectrum. At the other end, one will find affluent all-in-risk policyholders who look for all-inclusive packages and are willing and able to pay a slightly higher premium that frees them from having to bother with details.

One way or another – Patrick Marro agrees with Munir Hoxha that customer relations are generally unproblematic: "In over 98% of all cases, my customers and I see eye to eye. We very rarely have problems," he says. So far, Marro's customers have not expressed any wishes for more extensive legal protection of their rights – and such protection could not be had for free in any case. This would be highly unpopular in the current, price-sensitive environment.

«In over 98% of all cases, my customers and I see eye to eye.»

What really irritates customers according to Marro, is that the market seems to be flooded with intransparent offers. Identical or similar products, various providers, a great variety of premiums – even experts struggle to get a clear view of today's market. This, however, cannot be remedied by increasing legal consumer protection. Increasing legal consumer protection is not a remedy. In the end, a broad spectrum of offerings is good news for the customers as it proves that market forces are working and that customers do have a choice. Choice is one of the four fundamental customer rights named by John F. Kennedy in a famous speech and that are valid to this day. As is the case with rights in general, the right to choice is linked to a duty, the duty to make well-informed decisions. Information is key – whichever path it takes to reach the customer.



What do insurance customers want?

Peter Maas, Professor of Management at the Institute of Insurance Economics at St Gallen University (IVW) on customers and their state of mind.

And – what is the state of these rights?

Existing regulations provide comprehensive protection for insurance customers. As far as information is concerned, we noted that many customers felt overwhelmed. Their financial and insurance knowledge is not very extensive. A digital coach could be helpful in this respect. As far as the right to be heard is concerned, the ombudsperson has been a godsend. Those who know about the ombudsman office are happy with it. However, only about a quarter of all insured persons knows that the ombudsperson exists. The profile of this institution needs to be raised. As far as choice is concerned, we realised that regulation, and especially its subsequent costs, are an issue. If an offer is no longer commercially viable due to overly strict regulation, providers will abandon the market. The full-insurance business in the 2nd pillar is a case in point. Over-regulation may lead to restricted choice, which is not in the insurance customers' best interest.

Have your findings altered in any way in the last years?

There are no indications of any fundamental shifts.

What are your conclusions?

On the one hand, the issue of regulation costs needs to be broached, not least vis-à-vis the customers. Are they willing to pay higher premiums for increased coverage? This is a crucial question that needs to be asked. On the other hand, our study has shown that not all customers want the same degree of protection, as they consider themselves to be mature and competent.

If insurance providers also furnish customer information, will they not try and influence their audience?

As with any other contract, all customers are required to make their own investigations as to the suitability of an offer or a product. They also decide on their own how much to trust an offer or a provider.

«Regulation, and especially its subsequent costs, are an issue as far as choice is concerned.»

Insurance is a complex field, while insurance knowledge is not exactly widespread or deep. What is your opinion on online comparison portals?

Every insurance policy is an individual product. Among other things, its price depends on the insured person's age, his or her current circumstances, his or her place of residence, his or her behaviour, or the question whether the person can park his or her car in a garage or not. This makes appropriate comparisons very difficult, as the goods being compared are not homogeneous. Of course, such portals may work as an incentive, but they also may offer misleading information. Rankings can be bought; biases may lack transparency.

What is the potential contribution of classic consumer organisations?

They often pursue their own agenda and their own vested interests. Again, and again, they need to foster debates, so as not to be forgotten. They certainly do a good job, but at times, they tend to go too far.

In your view, what is the reason for people knowing so little about insurance?

Insurance is often correlated to things we'd rather not think about: illnesses, accidents or death. Moreover, it is a complex subject. Yet, it is not the only one. Just think of banking and finance, for example. The relationship between the customer and the consultant is therefore very important. One shouldn't forget, however, that consultants also act in their own best interest and only offer proprietary product. Any car dealer does the same, by the way. Coverage and advice will only be put to the test if a claim arises. In England, we have seen cases of advice that is extremely misleading, especially in life insurance. Despite being hard to prove in court, potential mis-sales are nevertheless damaging to the industry as a whole. Offers therefore should focus on transparency and efficiency.

What is your view on the quality of advice in the industry?

Most advisors give competent advice. Their good margins are proof of their competency. However, there are two sides to this: The industry's detractors might say that customers overpay.

Is there possibly too little competition in the market?

Every industry has certain protectionist tendencies, and the insurance industry is no exemption. Extensive regulation constitutes a high entry barrier for new players. This may be a truism, but, obviously, efficiency increases, and margins decrease with increasing competition, which means that the customer benefits.

Complaining about overly high health insurance premiums seems to have become a national pastime. Yet, few people switch insurers. Does competition play a minor role in insurance?

Quite possibly, many customers see through the scheme and realise that switching is not worth their while due to the political endorsement of the risk compensation scheme. A health insurer that offers advantageous rates today may become expensive tomorrow as it has to subsidise other, less successful competitors. This would make a fascinating research subject: Remaining or leaving – what is more efficient in the long term?

About Peter Maas

Prof. Dr. Peter Maas is a Managing Director of the Institute of Insurance Economics at the University of St Gallen and co-author of the study "The consumers' view of consumer protection an empirical study of the Swiss insurance market".

What do insurance customers want? For quite some time, nobody really knew. First insights were gained in 2015 through a study by St Gallen University in collaboration with the SIA. Since then, what has changed? Professor Peter Maas, one of the study's authors, provides further insight.

Peter Maas, you have screened the wishes and concerns of insurance customers. In brief: What do insurance customers want?

As the study was primarily concerned with consumer protection, we first and foremost asked what they were entitled to. First, in accordance with John F. Kennedy, they are entitled to safety. In insurance this could translate into an analysis of the solvency of insurers and whether they have sufficient means to meet their obligations at all times. Second, customers are entitled to information, and third, they are entitled to be heard. Finally, they are entitled to make choices.

“It’s important for us to be impartial”

Ombudsman Martin Lorenzon gives an overview of the cases on his desk and explains how to mediate successfully.

About the ombuds office

The Ombudsman of Private Insurance and of Suva is an independent and neutral institution. Funding is provided by the Swiss private insurers and Suva, the Swiss National Accident Insurance Fund. The ombudsman office is a foundation, founded in 1972 by the Swiss insurance Association SIA. The largest Swiss accident insurer, Suva, joined in 2002. In 2018 the ombudsman had a caseload of 3192 cases (– 5,3% as compared to the previous year). 53.5% stemmed from personal insurance. The highest amount involved in intervention amounted to some CHF 0,6 million. The average amount involved in personal insurance falls in a range of CHF 10,000 to CHF 30.000. Amounts involved in non-life insurance are usually less than CHF 10,000. Internet address: versicherungsombudsman.ch

Are people sufficiently aware of the ombudsman?

Quite obviously, we have no budget for advertising. But insurance customers must be able to call on us when they need us, and that response is guaranteed. The complaints bodies and the consumer protection offices know about us. Those looking for a way to lodge a free complaint will find us on the internet, if the insurer hasn’t referred them directly to us.

What kind of cases end up with you?

We mostly deal with problems concerning the extent of the benefits and also cases of mis-selling, but personal insurance ranks first. Short-term disability benefits raise a lot of questions, as does the length of time people are declared incapacitated for work. Often, two doctors have issued expert opinions that happen to be diametrically opposed. Experts most often differ when mental health is concerned.



Are your clients seeking justice or do they come for monetary reasons?

Indeed, some of our clients feel that they have been treated unfairly. But of course, it is mostly a question of money. If you don’t get what you think you’re entitled to, you will feel that you’ve been treated unfairly. Cause and effect, effect and cause. We also have regular clients that come back every two years or so.

Why do people feel that they have been treated unfairly?

Maybe they are under the impression that the person in charge of their case has advised them wrongly. Possibly, their personal sense of justice does not correspond to the letter of the law or to the contract stipulations. In those cases, we have to show the client why he or she cannot expect benefits that exceed those offered.

Have the problem areas shifted over the last few years?

Not all, but some of them, yes. In short-term disability insurance, the insurers tend to penalise breaches of obligation much more than they used to.

What can you do in such a case?

Sometimes the insured person has addressed his or her claim to another insurer than the one responsible, e. g. the accident insurer instead of the short-term disability insurer. Once the accident insurer has refused the claim on the

grounds that there had not been any accident, it usually is too late for lodging a timely claim at the short-term accident insurers. Benefits therefore will be diminished. Basically, the insured person has done the right thing by lodging a claim – but he or she had the wrong address. If such a case is well-documented, we can do something about it. If there is a breach of contract – and if the insured person is at fault – he or she has to bear the consequences.

What about goodwill gestures?

I don’t think goodwill is quite the appropriate term. In some cases, the legal situation is clear, but something may have gone wrong while the case was being handled. Then, insurers tend to make a gesture.

«In about two out of three cases we achieve an improvement for the client.»

How can you achieve anything at all?

It’s important for us to be impartial. Both parties need to be able to trust us. In some cases, we have to tell the client that he is overreaching, while telling the insurer that it is not paying enough.

What’s your success rate?

In about two out of three cases we manage to achieve an improvement for the client.

What is the secret of your success?

It goes without saying that we need adequate staffing and adequate financial means. For many years we have worked to establish today’s successful structure. Our main success factors consist in avoiding unnecessary bureaucracy and maintaining direct contact with the directors at the various insurers. A nationalisation of our office would endanger its success rate.

Where is your caseload trending?

In 2018 we saw a 5.3% decline.

What is behind this, in your view?

Various insurance companies have reinforced their complaints management over the last years. This means that they are able to address certain cases and unhappy customers themselves. These customers no longer go on to become our clients. However, the above fluctuation is well in our normal range.

Our position



Revisions of the legal framework

The private insurance industry in Switzerland can be proud of a very high level of customer protection. Government measures and self-regulation ensure that policyholders and insured persons are very well protected: The Swiss insurance industry is among the most strictly regulated industries. The Federal Act on Insurance Contracts (VVG/LCA) governs the contractual relationships between customers and insurance providers. It is currently being revised. The SIA believes that a partial revision of the VVG/LCA as set out in the Federal Council’s message is appropriate.

The Insurance Supervision Act (VAG/LSA) is currently undergoing a fundamental revision. The associated formal consultations took place between November 2018 and February 2019. The SIA supports most of the draft’s amendments.

The insurance industry complements these official measures through self-regulatory initiatives (Ombudsman of Private Insurance and of Suva and the Cicero quality label that ensures advisory expertise).



www.svv.ch/de/vvg (in German)
www.svv.ch/de/vag (in German)

A question of trust

New technologies are changing our society. Research on artificial intelligence (AI) has shown that not all questions that need to be answered are of a technical nature. Acceptance and interaction with human beings are among the key factors that determine whether business models can be derived from research.

"Err...umm" – in its launch on 18 May 2018, Google's speech software Duplex managed to impress by making an appointment at the hairdresser's and booking a table at a Chinese restaurant – without any human intervention. To the great astonishment of the public, its speech was even halting at times, making it seem more human. "Nowadays, speech recognition is a typical artificial intelligence application," says Theresa Schachner, a researcher at the Department of Management, Technology, and Economics (MTEC) of ETH Zurich. Systems that are limited to single cognitive human abilities already perform very well. This is also true for image recognition. These systems do not aim to replicate human beings in their entirety but focus on individual abilities. "We practise a kind of tunnel vision by concentrating on certain cognitive abilities.

These are automated and digitised," says Schachner. These results form the basis of various business models, not least in insurance.

Current research focuses on two fields: finding and programming concrete applications and analysing and mapping the impact of such technologies on management, strategies and organisations. Theresa Schachner is active in the second field. "It is very interesting to analyse technology's relevance to business. As a researcher I am not only interested in the advantages, but also in barriers and obstacles." She cites three basic reasons why applied AI might not gain ground in the business world.

«As a researcher I am not only interested in the advantages, but also in barriers and obstacles.»

- The Blackbox effect: Not every industry finds it easy to make use of artificial intelligence. To a certain extent, the AI algorithms tend to be intransparent. Some steps in the process are being carried out "autonomously" by the AI. As soon as liabilities are involved, this "black box" factor may impede the use of such algorithms, as algorithmic decisions are not entirely trackable.
- Lack of trust: If 99% of an algorithm's decisions are correct, this also means that not all its decisions are correct. While we may accept that an algorithm recommends a TV series that isn't to our taste, we would not trust it with diagnosing an illness once a mistake has been made.
- Bias: At first glance, algorithms seem to make just and fair decisions. This doesn't take any eventual bias into account, however, that may have been caused by the data set used in training the algorithm.

Nevertheless, Theresa Schachner sees potential uses for the industry and especially the insurance industry: "Underwriting is certainly an interesting field for using AI. And claims management already has quite good data sets." In her view, certain products could be completely automated though the use of AI. All the processes in flight insurance – up to the settlement of eventual claims – could be managed by an algorithm. Schachner notes, however, that this applies only to simple, standardised products. For complex products such as health insurance, the time hasn't come yet, she says. Even standardised products still involve human beings in some way.

Little research has been done so far about what happens inside a company that uses such algorithms. "As yet, we don't know what happens if all analyses are carried out by AI," says Schachner. In one case, a company replaced a board member with an algorithm. This algorithm then

decided in favour of other companies that also used algorithms. "The reasons for such behaviours are still largely unknown," says Schachner. It is obvious that the questions raised go beyond mere efficiency increases or cost reductions. These are questions of an interpersonal significance. What happens to the structure of the organisation? In which way are the employees going to change their behaviour and/or their decisions? Theresa Schachner: "We do not know what is going to happen if we gradually delegate our decisions to an algorithm. The impact may be larger than intended. At the moment, however, we still have a chance of controlling it."

Artificial Intelligence – who or what is it?



In 1950, the British mathematician Alan Turing devised a test for artificial intelligence. His thesis: If the interrogator in a given Q&A game is unable to tell from the answers whether the respondent is a human being or a computer, then the computer would be considered to be thinking. Both questions and answers were asked and given in writing. What Turing was aiming for would nowadays be called weak artificial intelligence (AI) that imitates one narrow cognitive ability. Strong artificial intelligence, on the other hand, is capable of all and any cognitive functions that a human may have. It will still take some time for human beings to be fully replaced by a machine. Researchers are divided on the question of whether strong AI needs to be complemented by another radically new approach or by an advanced version of weak AI.

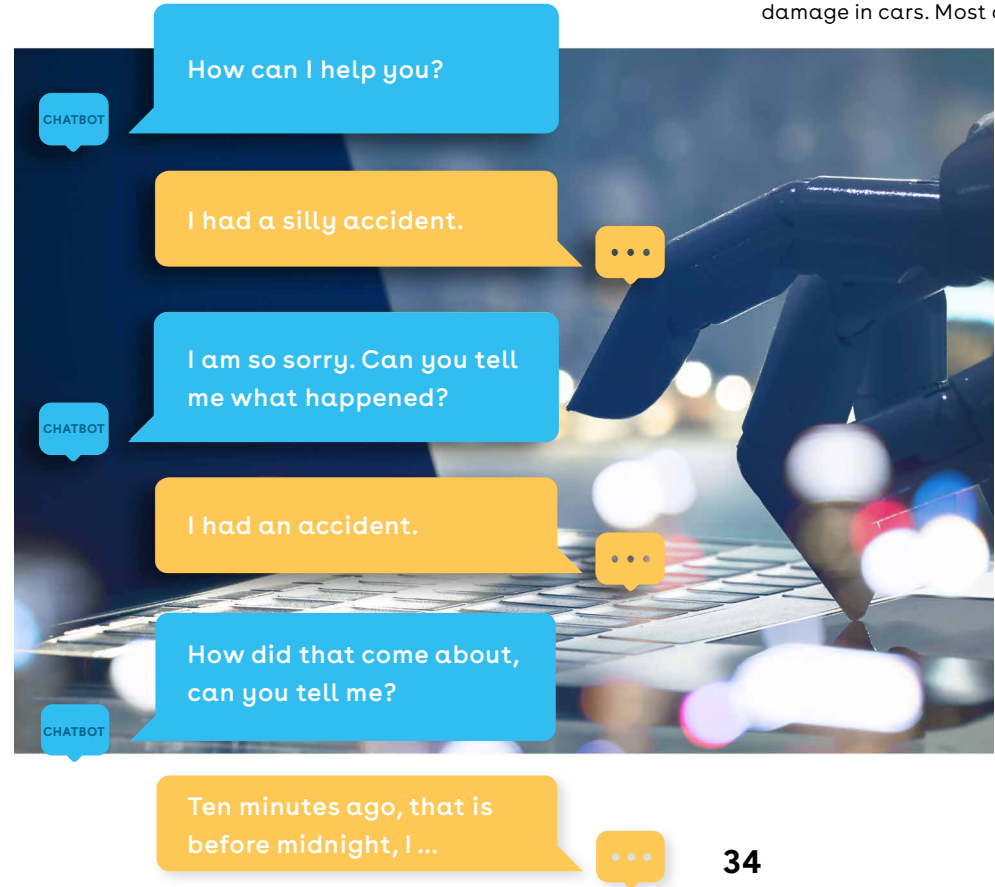
How does AI work in practice?

Weak AI is a generic term referring to a class of software algorithms. Typically, these algorithms do not process information according to a definite "if-then" approach, but weigh data at various levels of the process. By processing enormous amounts of data, the algorithm "learns" to autonomously adapt the weightings.

Technology advances faster than implementation

New technologies such as chatbots offer added customer benefits in insurance. Even as chatbots are able to interact with customers on their own, they will not fully replace human interaction for the time being.

Streaming a film at any time, clothes shopping at midnight: Digitisation has changed the behaviour of customers as well as the habits of our society. Individualised offers and higher availability are part of these effects. Insurers operate in this reality as well. They already use new technologies to optimise customer service and to make sure that they are ready for future challenges. Chatbots are a way of achieving higher availability through automation and shorter response times. The following industry-specific examples illustrate how chatbots can increase customer benefits – if this new technology is not implemented in isolation.



Fast settlement

Tuesday night, 23.17 hrs: You're ready to go home, but – where's your bike? Obviously, it has been stolen. After you've calmed down somewhat you would like to settle the damages as simply as possible. There and then. In 2017, Helvetia Insurance tested chatbots for bicycle-related claims reports and for taking out household insurance. "Customers can settle theft-related claims at any time within 90 seconds, thanks to the claims bot," says Martin Tschopp, Head Corporate Development at Helvetia. "Our customers adopted the use of chatbots with surprising readiness – and there has been no negative feedback." Rapid settlement and round-the-clock availability are paramount for customers. "Currently, the process is geared towards simple customer requests."

High acceptance

New, value-added communication channels are popular. Insurers in Switzerland are constantly testing new technologies and making use of the possibilities they offer. Axa also uses chatbots. "Feedback was very positive," says Dominic Wuffli, Head Digital Experience at Axa. The insurer has been testing a chatbot to settle claims related to glass damage in cars. Most claims were settled directly through

the chatbot. When communicating with chatbots, customers mainly communicate with a computer program. The program recognises the question and finds the correct answer or initiates an action. Axa has not received a single declaration that a customer does not want to interact with a software program. "However, we always enabled our customers to switch channels at any time." Human interaction is set to continue at Axa.

The great motivator

Health insurer CSS also relies on chatbots. "We have been testing a chatbot for overweight children," says director Matthias Heuberger. On average, the chatbot interacts with the children 8 times per day, motivating them to get active and to change their behaviour patterns. The children liked the fact that the chatbot got in touch with them every morning. "After a week, most children preferred communicating with the chatbot to communicating with their doctor." Linking the chatbot to a virtual reality could be even more beneficial. "The chatbot would not only encourage the children to get active, but also show them the exercise," says Heuberger. Doing exercises correctly can be a challenge. The chatbot acts as a motivator and also offers feedback in real time. CSS presented a prototype that assists insured persons during physical therapy on the 2018 Digital Day. Myguide, a chatbot that assists insured persons with clinical signs of disease, is already in use at CSS. "Not only is Myguide available around the clock, it also offers low-threshold access which is very popular with our customers," says Heuberger.

Mia – a friend and helper

Generali Switzerland has made the same experience. In April 2018, the company set up its innovation garage. The garage is a symbol for the company's innovation strength and a physical location dedicated to finding new solutions – also in cooperation with start-up companies. Mia is one such solution. "She's a virtual assistant, an AI-based chatbot," says Dr. Samyr Mezzour, Head of Innovation Garage at Generali. Mia organises meetings, finds convenient dates and sends out invitations to participants in- and outside the company. "In the beginning, she made some blunders," says Mezzour. This has been addressed in later versions. Today, people even praise her friendliness. "With Mia we have created huge internal demand." In its external communication, Generali also deploys AI in speech analysis. "We are currently evaluating the calls to and from our call center. We are aiming for a digital solution that understands requests and issues as well as the state of mind of our customers, so that we can precisely meet their demand.

Future-oriented communication

The first generation of chatbots was comparatively simple. It was able to recognise key terms and to react accordingly. The potential of AI means that chatbots are becoming high performance interfaces between human beings and services. Die Mobiliar believes that AI holds great potential and uses it in various applications. Unstructured data such as free texts shall be processed automatically. "When classifying claims, we want to be able to understand free text more closely – which input is positive, which input is negative, what are the core elements of the message," says Mirco Rossi, Head of Cognitive Computing at Die Mobiliar. Chatbots have been tested but Die Mobiliar currently refrains from using them. "Our strategy consists in driving forward the necessary developments in-house, before approaching our customers." Mirco Rossi is convinced that speech will be the customers' preferred means of communication. Whether that means chatbots or an advanced chatbot derivative remains to be seen. "Communication in natural language is the aim."

All-important Agility

"Most probably, chatbots have already lost their innovative potential," says Matthias Heuberger, only to add "but a really good chatbot is still innovative." Pietro Carnevale, Director of Strategy & Innovation at Generali, shares the conviction that chatbots have not yet reached their peak performance. Bots are able to learn very quickly. "Moreover, technology is about two years ahead of the bots that are currently being launched," according to Carnevale. He still sees potential. Chatbots create added value for customers. All our interviewees agree on the following: The focus is not on technology, but customer benefits. What does the customer want, how can his or her demands best be met, where does he need support? And even if new technologies change the way of doing business and new competitors are crowding into the market, traditional insurers have one main advantage: "We own the customer relationships. Technologies used by insurers can be copied," says Heuberger. They also are a chance that needs to be seized. However, technology alone will not be decisive. The way in which it interacts with human beings will be critical for its success, as programmes such as chatbots will not replace human beings, but rather complement them. "In complex cases, a chatbot is obviously not the tool of choice," says Tschopp. "Chatbots are clearly intended to disburden our staff, so that they can execute other customer requests," agrees Dominic Wuffli at Axa.

One umbrella organisation for 77 companies

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Reinsurance companies

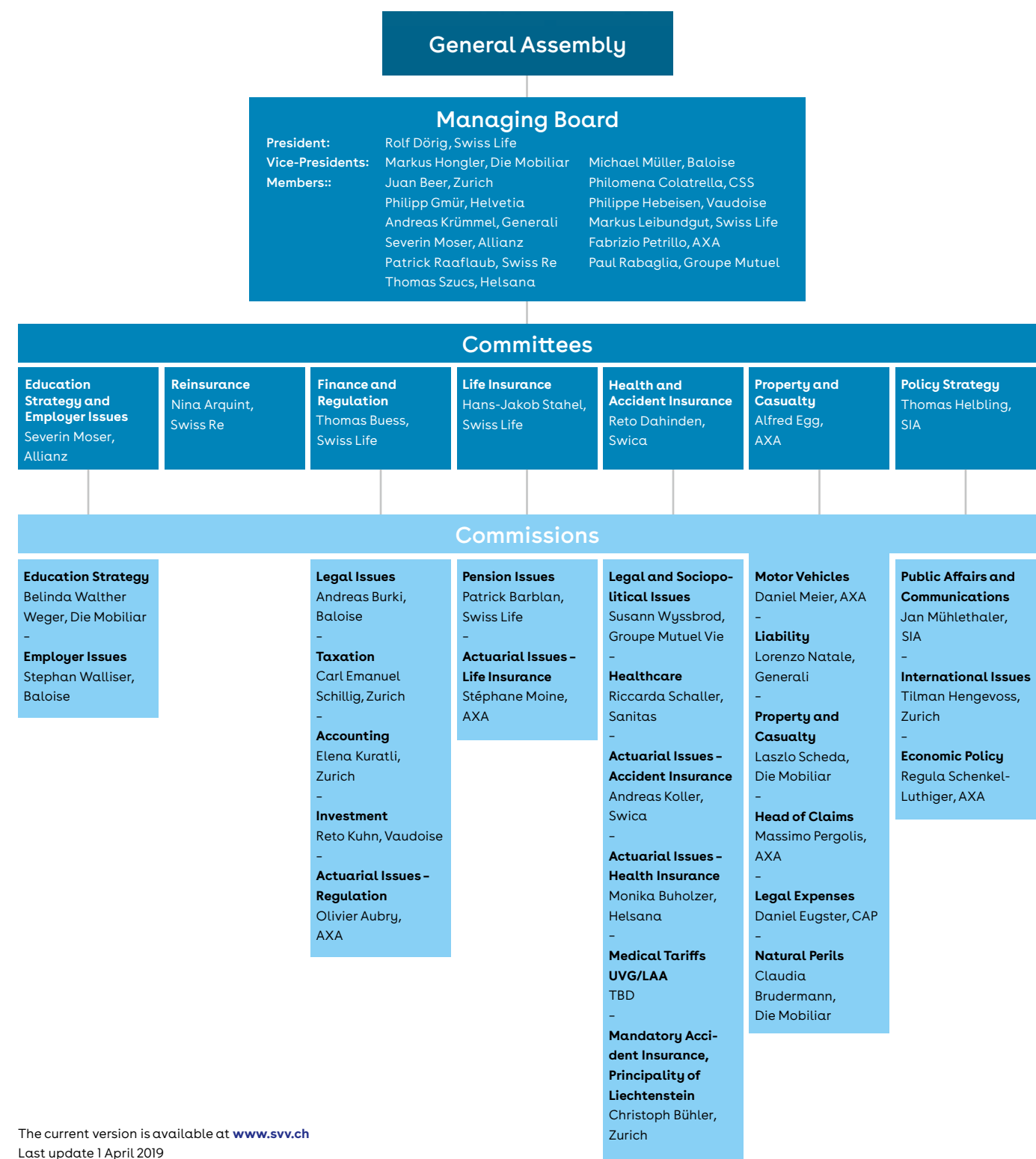
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- UNIQA Versicherung AG
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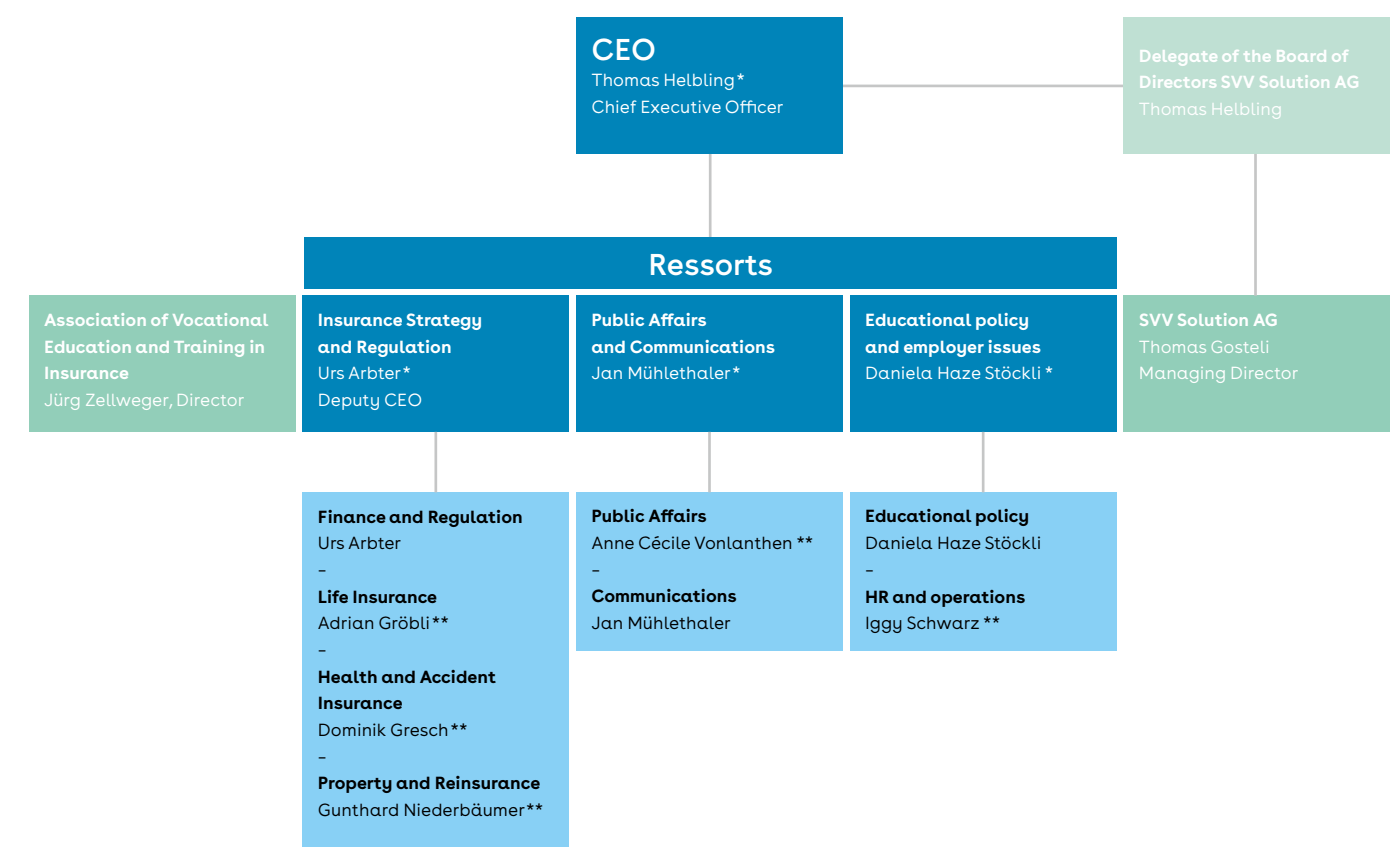
Nothing happens without insurance

The insurance industry has an enormous significance for the economy as a whole. Insurance providers cover property and casualty damages: they provide health and accident insurance, as well as old-age insurance, and even survivors' benefits, acting both as direct insurers and reinsurers. Each day, they pay out some CHF 130 million in claims and pensions. They thus protect individuals from social hardships and prevent companies from going under – all the while generating value for the economy and contributing to society as a whole. In private insurance, gross value-added amounts to nearly CHF 21 billion. Insurers are among the largest and most significant investors in Switzerland and abroad – they build homes; they grant mortgage loans, and they act as supporters for many a start-up. Insurance companies and their 46,500 employees in Switzerland are also major taxpayers – they assume their economic responsibilities by making use of their capacities and competencies, mainly in favour of our country. Moreover, the private insurers offer attractive positions and enable their employees to follow.

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