Commercial Risk Europe

Insurance & Risk Management News

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SIRM 50th Anniversary Forum 2023
NOVEMBER 2023

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Fifty up

As SIRM celebrates its half-century, we talk to key figures from the association about the hottest risk mangement topics

Centre stage

◆ How the permacrisis is raising the profile of Swiss risk managers

ESG-thang

◆ The importance of an ESG strategy and facing up to new sustainability regs

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Insurance & Risk Management News

50 years of SIRM: A time for celebration

Welcome to this special issue of *Commercial Risk Europe* published to recognise the 50th anniversary of the Swiss risk and insurance management association SIRM, which it celebrates at its Annual Forum in Bern on 8-9 November.

Launched back in 1973 to provide a platform for the Swiss risk and insurance management community, SIRM has grown and developed over the years to become the leading platform for the market in what is one of the world's most important and sophisticated economies.

SIRM provides its members with a place to meet each other and share knowledge, experience and common challenges and opportunities. It also provides a platform to meet and discuss the important matters of the day with core service providers such as insurers, brokers and others.

SIRM's membership of FERMA also provides an important link and access point with peers across Europe, and again the platform to meet leading service providers on a broader European and international basis.

The association is run by volunteers and does not have a full-time executive team organising regular training and other events like bigger associations such as AMRAE in France, GVNW in Germany or Airmic in the UK.

But the team of volunteers led by Sabrina Hartusch dedicate many hours to deliver an excellent Annual Forum that grows each year in scale and significance, alongside other activities.

Sabrina and her team deserve a big pat on the back for continuing the hard work put in by the original founders of SIRM and many others during the last 50 years who have helped to build this excellent national association.

This is not an easy period for risk and insurance managers in Switzerland or across Europe, as they face up to a seemingly endless string of crises and a still tough insurance market. Those who take the time out of their increasingly busy schedules to organise celebrations and events such as this deserve credit from their colleagues and partners.

To mark this important event, we interviewed a group of leading SIRM members on the big topics of the day as part of our annual Risk Frontiers Europe survey. Combined with news and analysis of the big risk- and insurance-related matters, we hope this publication provides an interesting snapshot of where the community is and where it is headed in its anniversary year.

Thanks to all those who took part in this project – including the sponsors who made this possible FM Global, HDI and Kessler – and we look forward to celebrating the anniversary in true 70s style in Bern!

Adrian Ladbury
Head of Content, *Commercial Risk*

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SIRM celebrates 50th anniversary and prepares for challenges ahead

Adrian Ladbury discussed the role of the association, its development over the years and challenges and opportunities ahead with SIRM president **Sabrina Hartusch**

◇ SIRM

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SIRM has always been one of the most active of FERMA's associations, with members happy to share their views and knowledge during our annual Risk Frontiers Europe survey.

The association was founded in Bern in 1973 and is the oldest and largest organisation of risk and insurance managers in Switzerland.

SIRM has gradually built its membership and now has more than 70 leading and influential member companies from industry, trade, services and public institutions that are represented by their risk and insurance managers.

"For key value creation, our member companies have embedded insurance and risk management as a centre of competence in their structure, with particular focus on the long-term protection of enterprise value.

"This capability is also recognised for strengthening the overall competitive position of its member companies, creating opportunities and managing risks," explained Sabrina Hartusch, global head of insurance at Swiss underwear manufacturer Triumph Holding, and hard-working, voluntary president of the association since 2014, when she became the first female leader of the group.

The association has evolved over time, as with most of its fellow FERMA member associations, broadening its remit beyond the traditional core of P&C insurance management into wider risk management areas such as employee benefits, not least pensions, and health and wellbeing.

▲ **Sabrina Hartusch, global head of insurance at Triumph Holding, has been president of SIRM since 2014, when she became the first female leader of the group**

"It is our vision to continuously strive for a full integration of insurance and risk management in the organisation of all Switzerland-based companies," explained the SIRM president.

Hartusch, who has been at Triumph since 2008 after a period with Allianz in the UK, said that, to accomplish this broad goal, the association focuses specifically on:

- Demonstrating the added value of insurance and risk management for any stakeholder
- Defining key topics of common interest, sharing, exchanging and improving knowledge and practices with its members, and collaborating with other likeminded Swiss, European and international associations
- Improving the recognition and raising the profile of the profession
- Representing and defending the interests of its members locally and internationally.

CLOSE COLLABORATION

The association joined FERMA in 1990 and values that membership. "We mutually benefit from a close collaboration, exchanging knowledge and experience in the interest of our members of the profession," said Hartsuch, who was formerly in charge of international relations at the Brussels-based federation.

"We put great emphasis on our longstanding, close relationship and collaboration with the Swiss and pan-European insurance market, as well as the local insurance authorities and regulators," she added.

SIRM's executive management is composed of five to seven representatives from the association's member companies who take on this role and responsibilities as an honorary activity. They are elected on an annual basis at the General Assembly, together with its president who is selected from their own ranks.

For Hartusch, risk and insurance management is all about effective communication. Risk and insurance management departments are tiny compared to other functions and no-one should expect a risk and insurance manger to be in charge of, and responsible for, all corporate risks.

But, the risk manager plays a vital central coordinating role to ensure that their corporation can manage threats, retain resilience and take advantage of opportunities that arise from all risks, she said.

Effective communication is, of course, based on knowledge and experience, which is acquired through learning and above all talking to and listening to key players across each organisation for which each SIRM member works.

The association fulfils this role at a central level, providing a unique platform for knowledge and experience exchange between members, a critical role that it has played for the past 50 years and will continue to do so hopefully during the next 50 years.

The other key role of SIRM – as with all trade associations – is to provide a platform for communication with key external service providers such as brokers and insurers, and of course public authorities, not least the national insurance supervisory authority.

Thus, Hartusch explained the key member benefits as gaining access to the widest and most competent insurance and risk managers' network in Switzerland and Europe, and at the same time, access to highly experienced practitioners in the fields of insurance and risk management.

Through its events, the association offers further networking opportunities with peers from other companies in similar or other industries. Through its nine industry practice groups, members share knowledge and exchange the latest thinking/state-of-the-art developments in the industry. And of course, the association provides access to the FERMA Rimap certification programme.

LOOKING AHEAD

So, what does the future hold for SIRM and its members?

Well, looking beyond the obvious pressing matters of the day – war and political and social uncertainty, inflation, energy shortages, cyber and supply chain challenges, and of course the recently tough insurance market and worrying retreat from systemic risks – Hartusch said the human element needs to be a key focus.

It is clear from our collection of interviews with leading SIRM members and their peers across Europe for this year's Risk Frontiers Europe survey that the so-called battle for talent is a big challenge for companies of all shapes and sizes.

▲ **SIRM was founded in Bern in 1973**

There has been a significant change in what younger workers in particular are looking for. Unless companies react in a positive and forward-looking manner, they will struggle to find the right people needed to adjust effectively to the rapidly changing business environment in Switzerland and worldwide.

This was a key topic of discussion at leading national European annual risk and insurance management events this year, including Amrae in France, Narim in the Netherlands, Airmic in the UK and GVNW in Germany. It is one of the key topics to be discussed at the SIRM Forum in Bern.

Risk managers need to understand and appreciate how different generations think about work and what they want and need from it. SIRM members and their colleagues – not least in HR – need to understand what will attract and retain the talent their organisations need to survive and thrive.

This means that corporations need to take the sustainability, diversity and ESG agenda seriously and not just pay lip service. Greenwashers do not tend to attract the best talent. They also have to accept that the shift in working practices accelerated by the Covid-19 lockdowns are here to stay.

Good companies are aware of this shift in the business environment and changing demands and needs of stakeholders – especially investors and employees. And this ongoing trend will continue to ensure that the role of the SIRM member and therefore its association will continue to evolve and expand along with the sustainability agenda, rise of ESG and transition to net zero.

On the wider impact of ESG on SIRM members, Hartusch pointed out that – at her company at least – there has always been a close collaboration between risk management and their supply chain colleagues, in particular in relation to physical assets (production sites, warehouses), which of course has become so much more important with the rise of due diligence requirements and focus on modern slavery in particular within the supply chain.

One of the key challenges and opportunities for SIRM members in coming times will be to work positively with the insurance market to deliver positive results to the good of all, said Hartusch. Associations such as SIRM and FERMA at the pan-European level can play an important role in this, in partnership with the insurance sector.

"Now, there is also a close collaboration with the sustainability team when it comes to climate risk. Insurers in fact can strongly support sustainability teams with climate risk information. This is a true asset to the insurance industry over other industries. The insurance industry truly has built up some distinct risk management material and features for clients that they can't necessarily get somewhere else," concluded Hartusch.

The simple fact is that, as shown by our interviews with leading SIRM members carried out in the run-up to the forum in Bern, the role of the SIRM member is changing along with the broader risk and regulatory/legislative environment in which their companies operate.

SIRM has served its members well during the last 50 years and will need to adapt and evolve so that it can continue this role for the next 50 years. ●

Crises push Swiss risk managers to centre stage

Corporations beginning to understand that managing risks is not about buying more insurance coverage but improving resilience

◇ PROFESSION

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There is no doubt that the role of the European risk and insurance manager has evolved positively in recent times, as corporations of all shapes and sizes have adapted to cope with the crises caused by Covid-19 and the war in Ukraine and now, of course, the tragic events in Israel and Gaza, agreed Swiss risk and insurance managers interviewed by *Commercial Risk Europe* ahead of the SIRM 50th Anniversary Forum in Bern.

Health crises and geopolitical tensions and war aside, SIRM members are also having to face up to a mounting range of rules and regulations related to sustainability and ESG, at both national and EU level for those larger Swiss firms active across Europe.

And don't forget that Switzerland also faces its fair share of climate change-related exposures, not least the uncertain impact of the glacial retreat and fast-rising but often underestimated flood risk in the nation.

The recent crises may have created a lot more work for risk managers and stretched many to the limit as they grappled with a rapidly hardening market and the crisis management and business continuity challenges.

But they have generally been thrust far more to centre stage and had more direct contact with the C-suite arguably than ever before, agreed the SIRM leaders.

▲ **The conflict in Gaza is the latest in a series of crises that multinational corporations have had to adapt to**

Sabrina Hartusch, global head of insurance at Swiss underwear manufacturer Triumph Holding and president of SIRM, said: "In my opinion, the role and its visibility has been strengthened due to recent events. It will always be a function that thrives from close collaboration with internal (and external) stakeholders, though. If this mutuality is given, the role can excel.

"Mainly, the role has become more visible due to supply chain problems and business continuity events such as Covid-19. Of course, the war in Ukraine has also brought up insurance topics that without such a war hardly ever would have received C-level attention."

DRAMATIC CHANGES

Matthias Koeppel, risk Manager EMEA at Crown Bevcan, EMEA, a US-based producer of specialty packaging materials, agreed. "I can say that the pandemic has dramatically changed the ERM risk framework and changed the grades of a number of listed risks," he said.

"In the early stages of the pandemic, the first question was always: Is the pandemic insured? And then they got the frustrating answer that it's not. Hard to understand for most. People didn't care much about risk management or insurances in general and it was also tough to get their attention with remote working. Personal interaction cannot be replaced by Teams, especially not with complex and 'uninteresting' topics like insurance and risk. Disrupted supply chains certainly raised the profile of risk management, and I believe the uninsurable pandemic event has helped to make people understand that managing risks is not about buying more insurance coverage but improving resilience," he added.

Stefan Günther, head of insurance at Coop Genossenschaft, one of Switzerland's largest retail and wholesale companies, said the hardening of the insurance market and the impact of the pandemic definitely raised the profile of the risk manager "significantly".

"Overall, we see a reduction in capacity and increase in premium. This especially goes for cyber, but also basic covers such as liability and property. To find an adequate insurance solution has required more of a C-level focus recently, as we investigated alternatives such as captives or self-insurance. In retail and production, and also meat processing, we could not find an insurance carrier to offer certain coverages. Hence, working out and presenting solutions has certainly raised my profile," added Günther.

Ines Surholt, senior insurance risk manager at Swedish-Swiss technology electrification and automation multinational ABB Zürich, said the dramatic broadening of risks has certainly widened the scope of the risk manager.

"The scope of risks to be assessed became much broader. For example, risks related with climate change, new technology, AI, geopolitical risks, threats to the global supply chain, data protection or inflation must be analysed, assessed and mitigated by insurance risk management more than in past years, where the focus has been on fire related risks and natural hazards," she said.

"The risk manager's role as a coordinator between various departments and functions became more important, with more engagement with the C-suite, due to C-level responsibilities towards shareholders," added Surholt.

SPARRING PARTNER

Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, and president of the Swiss Insurance and Reinsurance Captive Association, said: "In my opinion, a risk manager should be a sort of sparring partner for the C-suite. A risk manager should bring to the attention of the top management certain topics and be asked by executives when a concern arises. I think that a risk manager should bring to corporations a level of confidence and certainty in respect of the risks the corporations are exposed too.

"I don't think there was an evolution in recent times; risk managers were, are and will be relevant. Probably the lesson learnt with the Covid-19 pandemic is for those entities that didn't have a formalised risk management process and needed to structure a more holistic approach to it."

"The risk manager role has become more visible due to supply chain problems and business continuity events such as Covid-19"

▲ Sabrina Hartusch, president of SIRM and global head of insurance at Triumph Holding in Switzerland

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, a leading supplier of systems for short-staple fiber spinning, said the impact had been particularly felt in the environment, health and safety (EHS) part of her role.

"The tasks and responsibilities did generally increase, also due to several new topics created by the Covid-19 pandemic," she said. "Specifically, the EHS responsibility evolved into an important and active role in the last few years, such as handling of the pandemic, evaluating the potential solutions for the energy crisis and possible business interruption.

"Risk management is an important topic at top management level and should be generally an integral element within all departments and risk owners. It cannot be handled by only one department. The risk manager can support, control or provide guidelines and requirements."

Jurrit Herber, head of risk at Switzerland-based global sustainable packaging group Eviosys, agreed that Covid-19 certainly raised the profile of risk management in a positive way, neatly summing up the experience of fellow risk and insurance managers across Europe during this testing period.

"I head a department handling and reporting all incidents, whether insured or not, and this was a growing department during the Covid-19 period. Our work evolved and senior management paid more and more attention to non-financial risk management. I was also part of the Covid-19 crisis management team, which involved senior management taking risk seriously," he explained.

There can be no doubt that the string of crises – now termed permacrises – is not coming to an end any time soon. SIRM members generally work for large multinational companies that are directly impacted by geopolitical crises, supply chain problems, trade wars and restrictions, sanctions and the like.

They also work for companies that are having to equally face up to big changes in the way we all work, digitalisation and of course an equally rapidly changing rulebook and compliance requirements at both national and international levels.

SIRM members can expect to remain exceptionally busy in the coming years and will need their association to stand by them during this challenging but also exciting period from a professional perspective.

ESG rises up agenda for Swiss risk managers

Impact on insurance programmes is so far limited and remains quite unclear

◇ ESG

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▲ **Risk and insurance managers across Switzerland are increasingly involved in ESG strategy**

Swiss risk and insurance managers are becoming increasingly involved in the ESG strategy of their companies and generally view it as a positive development, based a range of interviews with leading SIRM members ahead of the association's 50th Anniversary Forum in Bern.

The members of SIRM agreed with peers across Europe that the impact on insurance programmes, though happening, is so far limited and remains quite unclear. More consistency and clarity is needed.

Despite the uncertainty surrounding the rapidly evolving world of ESG, the bottom line is that it cannot be ignored, if only from an investor perspective, said Jurrit Herber, head of risk at Eviosys.

"You need to have an ESG strategy in place nowadays, if only from a financial perspective. Your ESG record can have a significant impact on your ability to secure funding and at which price. A good and well-communicated ESG strategy can save a lot of money."

Herber added: "You don't want to use insurers that are not reporting their ESG strategies properly. At the same time, it is important for the risk and insurance department because it could impact available limits, increase prices or be used as an incentive. You must also consider the wider risks such as those presented by greenwashing. If you don't live up to your promises, you could find yourself sued or in hot water with the regulators, as the number of ESG reporting-related claims continues to grow."

Sabrina Hartusch, global head of insurance at Triumph Holding and president of SIRM, pointed out that there has always been close collaboration between risk managers and their supply chain colleagues, in particular in relation to physical assets (production sites, warehouses). Now, there is also close collaboration with the sustainability team when it comes to climate risk.

"Insurers in fact can strongly support sustainability teams with climate risk information. This is a true asset to the insurance industry over other industries. The insurance industry truly has built up some distinct risk management material and features for clients, which they can't necessarily get somewhere else. With regards to the S, there is a close relationship with HR, in particular in light of personnel insurances, benefits and pensions," she said.

Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said his firm's captive is playing an active role in the ESG strategy, notably the S element.

"As part of an energy service contractor, we are involved in ESG, and as a reinsurance captive we are doing a lot on the S side through the coordination of the reinsurance of employee benefits programmes. In particular, thanks to the captive, we can offer our employees coverages that may be limited or completely excluded in certain circumstances and countries (think for example how different jurisdictions handle the LGBT community)," he said.

BUSINESS CRITICAL

Matthias Koeppel, risk Manager EMEA at Crown Bevcan, EMEA, said he has a more limited role in ESG and is one of many insurance managers across Europe that is not so impressed by its impact on insurance so far.

"My involvement in ESG is limited to reviewing new and ongoing projects. An ESG strategy isn't an option anymore, it's business critical to have one as it's demanded by customers. Impacts on the insurance programs are rather negative, as projects increase building values and may even generate risks such as PV installations on rooves which may not have been designed or engineered to carry such installations," he said.

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, is directly involved in ESG as environment, health and safety (EHS) falls within her remit. The increased reliance of investors on ESG ratings has inevitably raised its profile for all companies, she said.

▲ **Jurrit Herber, head of risk at Eviosys**

"Sustainability is part of the EHS responsibility and we have provided a sustainability report since 2012 within our company. ESG changed a lot in terms of expectations and perception. It is a top target at top management level. It is essential for any company to be compliant with the ESG requirements since it has huge influence within the finance market, which is based on ratings of the company that follows ESG requirements worldwide."

Ines Surholt, senior insurance risk manager at ABB Zürich, said her insurance team is involved with ESG mainly from a data perspective.

"The insurance team collaborates closely with the sustainability team, especially when it comes to data that is available under insurance programmes such as locations prone to natural hazards or geocoding. Insurance and sustainability have common interest in improving risks such as improving and mitigating flood risks, which in turn can influence the insurance coverages and available insurance limits," she said.

LIMITED IMPACT

But many risk and insurance managers have seen little, or no, impact on the insurance programme so far. This remains very much a work in progress.

Stefan Günther, head of insurance at Coop Genossenschaft, said: "My involvement in ESG is only very limited. Overall, a good strategy raises the reputation of the company, hence it helps in evaluating the company profile. So far, from my point of view, it has no measurable impact on my insurance programmes."

Thus, while the insurance sector may be pleased with progress made so far in the area of sustainability and ESG, as evidenced by the annual sustainability report published by the Swiss Insurance Association (*see page 12*), risk and insurance managers want to see more.

SIRM members agree with their colleagues across Europe that insurers need to use their sustainability and ESG credentials in a more positive way when assessing risks and not just looking to use it as an excuse to exclude, as some have suggested.

Risk and insurance managers are also keen to see the carriers take a more proactive approach to product development in key areas such as innovative sustainable construction materials and techniques to support rather than slow down the transition to net zero. ●

SIRM members face up to mounting sustainability reporting burden

Dual standards from EU and Swiss government pose unique challenge

▲ **The EU is introducing a raft of new sustainability related standards – notably the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive**

◇ REGULATION

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Risk and insurance managers across Europe and their insurers and brokers are rapidly waking up to the significant challenges posed by the EU's raft of new sustainability related standards – notably the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

For SIRM members, the challenge is further complicated by the fact that the Swiss Federal Council is also introducing new and updated Swiss versions of the directives, meaning that the many Swiss firms active in the EU will have to comply with both.

Arguably, any SIRM member should not be that concerned by the rise of sustainability standards because if they are not compliant, then that means that their risk management approach is simply not up to scratch.

But the headaches presented by complying with the dual standards and further global standards should not be underestimated according to the Swiss Finance Council (SFC), the representative body established in 2013 to articulate and advocate the interests of internationally active Swiss financial institutions towards the EU and global institutions.

The SFC recently co-signed a letter with other leading international financial groups such as UK Finance and the Japanese Bankers Association, focused on the CSDDD, in which they called for a more "workable and proportionate" approach.

"We are concerned about the proposed extraterritorial scope of application, which would raise serious jurisdictional conflicts and enforcement challenges. We strongly believe the due diligence requirements should apply only to the value chain operations related to products sold in the EU and services provided in the EU. This will not only ensure more proportionate obligations for non-EU financial institutions, but it will also improve the competitiveness of EU financial institutions operating globally and the overall attractiveness of the EU single market," stated the letter.

"To the extent that financial institutions' downstream value chain is included, it should be limited to the activities of large corporate clients directly receiving specific purpose loans or credits in the EU. It is crucial to ensure a harmonised approach to this within the Single Market," it added.

The groups called for global coordination on transition plans. They said they believe that a consistent and interoperable approach to climate transition planning across jurisdictions is key for global financial institutions to support global decarbonisation efforts.

Leading Swiss law firms agree that Swiss risk managers in financial institutions and corporates face particular challenges from the wave of new sustainability rules.

Lenz & Staehelin issued a note after the Swiss Federal Council announced its key guiding principles for amending the Swiss corporate sustainability reporting obligations in September, saying that no-one should be surprised that it had extended the existing requirements to be in line with the EU's CSRD.

The firm explained that large Swiss publicly listed companies and large Swiss regulated financial institutions (such as banks, securities firms, or insurance companies) are having to prepare their first statutory report on non-financial matters, covering the 2023 financial year.

In this report, firms are required to report on material environmental matters (including CO2 goals), social and employment issues, as well as aspects related to the respect of human rights and combatting corruption. The non-financial matters report must be submitted for shareholder approval and published in the first half of 2024.

"In the coming years, these reporting obligations will intensify in relation to environmental issues, encompassing more detailed disclosures on climate matters in

▲ **Many risk managers based outside of the EU are facing up to a mounting wave of rules and regulations**

line with the recommendations of the Task Force on Climate-related Financial Disclosures, such as granular emissions data and climate goals. Climate disclosures will also soon require a machine-readable format. Furthermore, since 2023, Swiss companies are required to conduct supply chain due diligence with respect to child labour and conflict minerals and metals," explained the law firm.

The Swiss Federal Council's September announcement basically updated the Swiss rules to align with both the CSRD and CSDDD.

The new key guiding principles extend the rules for Swiss firms and scope of those affected in a number of ways, explained Lenz & Staehelin.

The current Swiss non-financial reporting rules require only "public interest companies" (those listed and/or regulated) to report on sustainability matters if they meet certain size benchmarks. In addition to exceeding determined turnover and/or total balance sheet thresholds, companies must have a minimum annual average of 500 full-time employees (FTE) (on a consolidated basis and for two successive financial years) to be subject to these reporting obligations.

"The Swiss Federal Council intends to reduce this threshold to 250 FTE, in line with European standards. It remains uncertain, based on the announcement, whether the 'public interest company' designation will continue as a primary criterion or if, mirroring European regulation, the scope of affected companies will be expanded to encompass a broader set of companies beyond just public interest companies," commented the law firm.

The current Swiss corporate sustainability reporting rules do not require an audit of the report on non-financial matters. However, the European CSRD does incorporate such an audit requirement. Aligning with European rules, the Swiss Federal Council communicated

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its intention to introduce an audit requirement.

POTENTIAL IMPACT

The Federal Council is also now evaluating the CSDDD's potential impact on Swiss companies. This assessment is expected to be completed by the end of 2023.

"It thus remains to be seen if the Federal Council will propose further amendments to the Swiss corporate sustainability framework. A specific legislative proposal has not been released at this time. The draft bill for consultation is expected to be published by mid-2024. While the guiding principles provide a general sense of the intended direction – namely alignment with European regulations – it is still uncertain how closely the final legislative proposal will mirror European rules," said Lenz & Staehelin.

The good news for SIRM members is that the entry into force of amendments to the current Swiss reporting and due diligence framework based on changes at the EU level will still be a few years ahead. "Thus, no immediate action is required by Swiss corporates," said the law firm.

But, of course, it is not that simple, especially for those many Swiss firms active in the EU and/or listed in the EU.

"These Swiss firms should continue to proactively evaluate the implications of the European sustainability reporting and due diligence obligations on their operations without waiting for further alignment between the Swiss and EU sustainability reporting regimes. In fact, many Swiss corporate groups might find themselves within the scope of the European CSRD and/or the proposed new CSDDD. This could be a result of having securities listed on an EU regulated market, a qualifying EU-based subsidiary (or branch) or substantial EU business activities (i.e. an annual net turnover in the EU exceeding €150m. Given the phased implementation of the CSRD, some non-EU groups might fall within the scope of European reporting obligations as early as the 2025 financial year (either due to listing on an EU regulated market or having a large subsidiary in the EU)," it explained.

▲ Leading Swiss law firms agree that Swiss risk managers in financial institutions and corporates face particular challenges from the wave of new sustainability rules

The law firm advised Swiss companies to aim to harmonise their various reporting and due diligence obligations across the entire corporate group to avoid having to produce multiple separate disclosures, to streamline internal processes such as data collection or risk management, and to reduce the overall administrative burden.

"Swiss companies should assess how they can, both now and in the future, leverage European and international standards to optimise and streamline their reporting and due diligence processes, ensuring they align with Swiss sustainability requirements," said Lenz & Staehelin.

DEGREE OF FLEXIBILITY

In a similar note, Dr Vaïk Müller of CMS Switzerland, the Swiss arm of the London-based international law firm, points out that the Swiss Federal Council plans to give companies a degree of flexibility.

"Swiss companies will have the choice of applying either the European standard or another equivalent standard (e.g. the OECD standard) to comply with reporting obligations. In a further departure from EU regulations, however, the Swiss Federal Council is not willing to include a third-country regime," he said.

"The proposals of the Swiss Federal Council remain guiding principles to align the Swiss legal framework with EU regulations. Until, however, a concrete legislative proposal is on the table by mid- 2024, it remains uncertain if and to what extent these legislative proposals will follow EU regulations," he added.

Müller said the Swiss Federal Council's review of the CSDDD and its potential impact on Swiss companies should be completed by the end of 2023.

But he agreed with the team at Lenz & Staehelin that particularly those Swiss firms active in the EU should not hang around.

"Swiss companies should not wait to consider the potential impact of EU rules, particularly those arising from the CSRD and the CSDDD. The CSRD, which strengthens existing EU non-financial reporting requirements introduced by the Non-Financial Reporting Directive, came into force on 5 January 2023 with a transposition target in EU member states of 6 July 2024. The CSDDD is not yet applicable since it must be approved by the EU Parliament and EU Council. Both directives, however, could have an impact on certain Swiss companies, particularly those with subsidiaries or branches in the EU," he said.

WAVE OF REGULATIONS

Global consulting firm Deloitte pointed to the confusion facing many risk managers based outside of the EU as they face up to the mounting wave of rules and regulations, in a report published in the late summer.

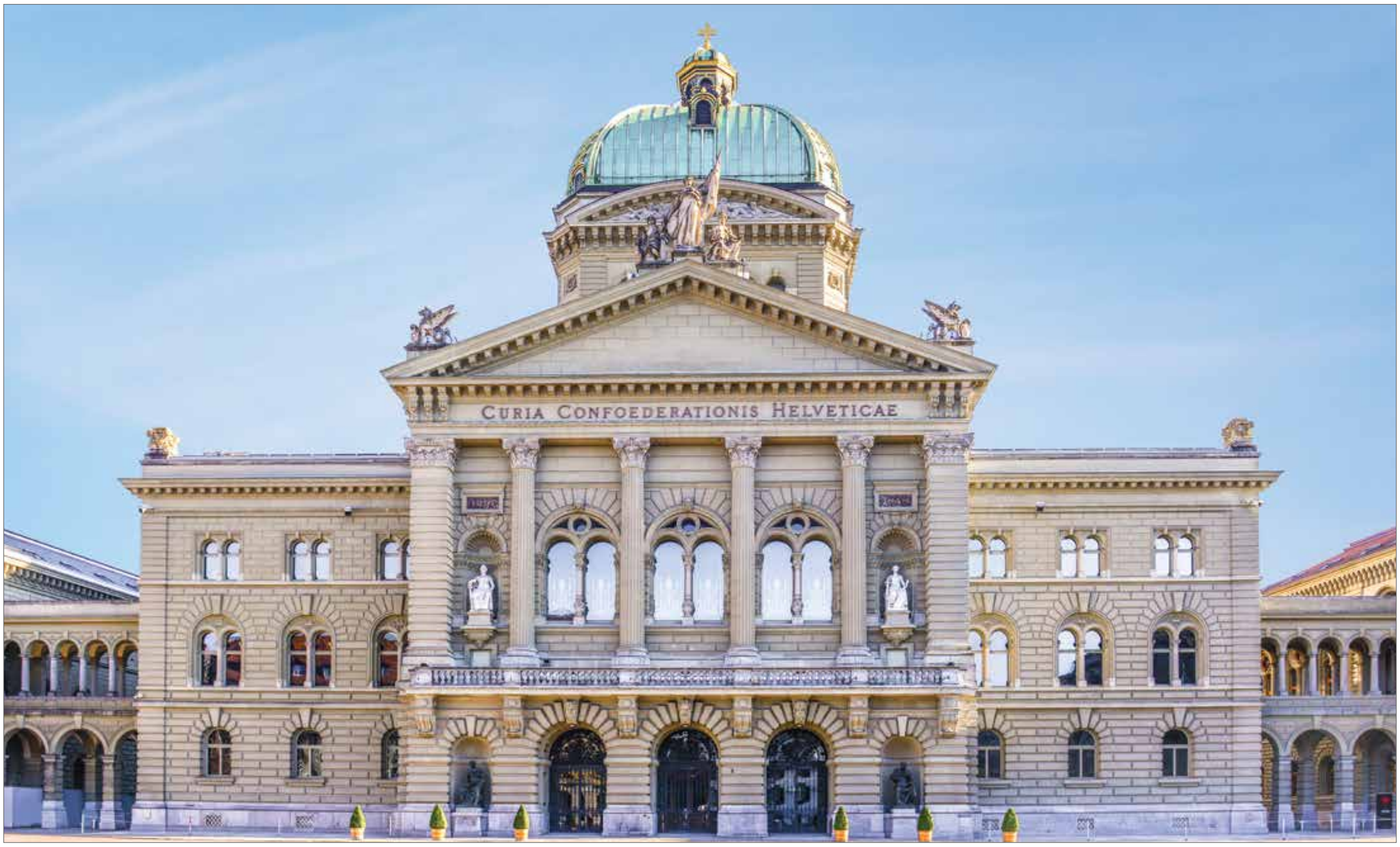
"The upcoming non-financial reporting regulations have significant extraterritorial reach and it may be a challenge for Swiss companies to identify which one(s) will apply. Consequently, Swiss companies will need to become familiar with the different regulations and carefully evaluate the impact on their reporting," it warned.

"Different sustainability regulations also come with different assurance regulations, for example there is currently no requirement to gain assurance over the sustainability reporting provided under CO [the Swiss Code of Obligations, the federal law that regulates contract law and corporations] but there is a need to gain assurance if a Swiss company comes in scope of the CSRD," noted Deloitte.

The consulting firm pointed out that there are concerns from companies that they may potentially be required to adopt more than one set of standards and alignment is needed.

"In theory, a company could fall within scope of the CO, EFRAG, ISSB and SEC regulations. Alignment between the standards is a continuing and important area of debate among the standard-setters. It will be important for affected companies to understand how these standards link together and to establish consistencies between them," advised Deloitte.

The Swiss Federal Council is now evaluating the CSDDD's potential impact on Swiss companies ▼



Swiss insurers embracing sustainability challenge

Self-regulation is the way ahead says insurer association

◇ SUSTAINABILITY

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Switzerland's risk and insurance managers will need to work increasingly closely with their partners in the insurance sector to ensure that their sustainability efforts are appreciated and recognised in the effort to create a more "sustainable" risk management and transfer market, as the world faces up to climate change and related social and governance challenges.

Specifically, there has recently been much frustration voiced by risk and insurance managers across Europe, including SIRM members, about an apparently disjointed approach taken by insurers in this area during renewals negotiations. Clearly, there is still much work to be done in this fast-evolving area from their perspective.

But, the Swiss Insurance Association (SIA) reports good progress and commitment shown by members in its latest annual sustainability report, which significantly this year focused on risk analysis and management.

The SIA said that its fourth sustainability report, published in the summer, has demonstrated that sustainability is "understood broadly" within the sector and that it is taken into account at all stages of the value chain, not just climate change. "While climate change is a risk factor in the insurance sector, the financial and social aspects of sustainability have a major impact too," said the association.

SIRM members would have been pleased to hear that the SIA noted that Swiss insurers are increasingly moving towards integrating sustainability at all stages in the value chain.

"For instance, in addition to investments, the sector has identified three other areas where it can contribute to sustainability – integrating sustainability aspects into risk analysis and underwriting, supporting the economy and society in the transition towards net zero, and transparency and cooperation on sustainability issues. The insurance sector is always mindful here of the guiding principle of leaving the Earth in at least the same state as it is today for future generations," said the association.

The core business of insurers includes risk analysis and risk management, which form the very basis for concluding insurance contracts.

The SIA pointed out that sustainability aspects influence

▲ The world is facing up to climate change and related social and governance challenges

conventional risk categories such as underwriting risk, market risk, liquidity risk and reputational risk in a variety of ways. Climate change has the biggest impact on risk analysis, since the resulting natural and environmental risks have a direct effect on insurers' loss ratios.

"Effective prevention measures aimed at mitigating the consequences of global warming provide direct support here. Financial and social sustainability risks, such as the pressure to reform pensions, increasing sovereign debt or challenges in the healthcare system are also impacting the work of insurers," reported the SIA.

PATH TO NET ZERO

As a number of SIRM members pointed out in interview with *Commercial Risk Europe* leading up to this year's SIRM 50th Anniversary Forum in Bern, the insurance sector has a potentially vital role to play in the path towards net zero through both underwriting and investment policies.

The SIA appears to be in agreement with its corporate customers based on this report, which is encouraging. But it also stressed the scale of the challenge in this fast-evolving area.

"With its extensive risk knowledge, the insurance sector can play an important role in getting the real economy on the road to net zero. One way it can do this is by addressing decarbonisation targets, strategies and progress with its corporate clients. Whether or not these are implemented, however, is down to the insured companies," said the SIA.

"Categorisation into 'sustainable' and 'non-sustainable' business models and practices poses a challenge, as illustrated by the discussions regarding a standardised classification system. An internal survey conducted by the SIA revealed that the majority of participating insurers had dealt intensively with the integration of sustainability criteria into underwriting in the last five years, with corporate clients being the primary focus here," it added.

The SIA pointed out that, in 2022, private insurers managed capital investments worth CHF570bn. It said that 90% of the insurance companies participating in the sustainability report said they had factored ESG risks into their investment activity. The three factors – environment, social and governance – are weighted equally, which suggests a broad understanding of sustainability within the sector, noted the SIA.

The association explained that insurers use different methods to implement sustainability criteria in their investments. For instance, these included actively exercising voting rights and engagement dialogue or negative/exclusion lists.

Impact investment allowed for the direct measurement of a positive sustainability contribution for CHF19bn worth of capital investments. The most important area for impact investment is real estate investments, where insurers take into account sustainability aspects both in new builds and renovations, said the SIA.

> **"Climate change is a global** challenge that affects various sectors and regions. As such, cooperation and the exchange of knowledge and expertise are indispensable"
>
> *Swiss Insurance Association*

GLOBAL CHALLENGE

The word 'partnership' came up a lot during the interviews with SIRM members ahead of the association's 50th anniversary celebration at its annual conference. It is clear that this is critical in the climate change challenge at a local and global level, agreed the SIA.

"Climate change is a global challenge that affects various sectors and regions. As such, cooperation and the exchange of knowledge and expertise are indispensable," said the SIA.

The association pointed out that it is a supporting institution of the Net-Zero Asset Owner Alliance (NZAOA), where organisations have joined forces to pursue the net-zero target in the area of investing.

"As much as 48% of capital investments by Swiss insurers are already governed by NZAOA membership. The SIA also signed up to the Principles for Sustainable Insurance in 2023, with a view to promoting the overall conditions necessary to make Switzerland a sustainable financial centre for the insurance industry too," it said.

Switzerland is a fiercely independent nation that is not a big fan of excess regulation, one of the reasons that it is not a member of the European Union. The SIA noted the rise of rules-based regulations in the area of sustainability globally and clearly thinks that self-regulation remains the best path, not least in the controversial area of greenwashing.

"There has been a lot of movement in the area of sustainable finance since the last report. December 2022 saw the [Swiss] Federal Council publish its *Sustainable Finance 2022–2025 Strategy* report and a position paper on avoiding greenwashing. The SIA relies on self-regulation, which has a long tradition in the financial sector of the Swiss economy – and it rejects a culture of prohibitions based on fundamental considerations," said the SIA.

The SIA said the advantages of self-regulation include real-world practicality, flexibility and a high degree of differentiation. It said this is important because, as of yet, there is still no generally accepted definition of greenwashing. "Crucial to the insurance sector here is the fact that insurers' core business (conventional risk products) cannot even be subject to greenwashing," said the association.

"With risk products, it is the customers who decide whether or not they want to take a risk. It's then down to the insurance sector to check whether they can cover this risk financially," said SIA chief executive officer Urs Arbter.

The SIA concluded that the challenges faced in the area of sustainability remain diverse and will clearly require a lot more work in Switzerland, as across Europe and worldwide.

"The sector addresses an aspect of financial sustainability which is often underestimated: its fundamental importance to environmental and social sustainability. For instance, one of the main issues of urgency facing Switzerland, alongside advancing climate change, is pension reform. Particular attention is also to be paid to ensuring an appropriate degree of regulation. In particular, care should be taken to ensure that innovation and the transformation of existing business models into something more sustainable remain possible and that this is encouraged," concluded the association, again stressing that it is not all about climate change. ●

Swiss risk managers seek more consistent cyber offering

Market improving this year with appetite among leading carriers returning

▲ **Swiss risk and insurance managers said more work needs to be done to deliver a workable and resilient cyber insurance offering**

◇ CYBER

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Demand continues to grow for cyber insurance worldwide as incidents continue to rise along with awareness of the threat at the highest level.

But cyber was one of the hardest-hit lines during the recent market hardening and left many Swiss risk and insurance managers frustrated by the sudden loss of appetite among insurers as the threat level peaked following Russia's invasion of Ukraine.

Overall, the market has improved this year with appetite among the leading carriers returning to an extent and fresh capacity arriving.

The group of leading SIRM members interviewed by *Commercial Risk Europe* ahead of the SIRM 50th Anniversary Forum in Bern on the whole agreed that more work needs to be done in this important area to deliver a workable and resilient cyber insurance offering.

Sabrina Hartusch, president of SIRM and global head of insurance at Triumph Holding, said the sudden change of strategy among the insurers has had a very negative impact that needs to be addressed.

"What we have at the moment is the best of what we can get at the moment. The product carries a heavy price tag, which means that clients are stepping away from the product. This is somewhat 'sad' as insurance so often helps get the house in order, such as through risk management processes," she said.

Hartusch added that, because of the sudden scarcity of capacity, it became more difficult for companies to carry out internal improvements in cyber risk management, projects were abandoned and it became much harder to obtain signoff for important cyber risk investments.

"This indirect effect of having insurance cannot be underestimated. It is the same as with credit

▲ **Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management**

insurance, which very much helps a company's operational credit liquidity management, even working capital management. The insurance market has an inherent task to fulfil, which is making their clients more resilient in every risk aspect, thus also cyber," she added.

STANDARDISATION

The Swiss risk managers were asked if greater consistency in the market in areas such as the questions asked by carriers and even standard market wordings would help. Most agreed that this would be a step forward if possible.

Stefan Günther, head of insurance at leading retail and wholsale group Coop Genossenschaft, said: "A standard should increase significantly the available capacity. With the current market offering, it makes no sense to buy cyber. A standard in evaluating the risk would be highly needed," he said.

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, agreed that more consistency is needed. "The questions should be more aligned and simpler. The policies should be more transparent in respect of coverage and overlaps in comparison with other insurance lines," she said.

Matthias Koeppel, risk manager EMEA at Crown Bevcan, was not sure about simplified questions given the diversity of the risk company by company but would welcome more standardised wordings.

"Compared to other lines, I've experienced in cyber a lack of risk appetite and willingness to accept risk with the aim to improve. Given the complexity of cyber underwriting, I am not sure a simplification of questions would be justified. Although market-wide standard wordings are always helpful!" he said.

Ines Surholt, senior insurance risk manager at Swedish-Swiss technology electrification and automation multinational ABB Zürich, said much work is needed in this area and even compulsory coverage and state involvement.

"Even a compulsory insurance coverage could be a benefit. Insurers may also provide more expertise and consultancy before a loss but such consultancy should be separated from the underwriting process. Collaboration could be improved in many ways but it needs the support of the governments to find a common approach," she said.

But not all agreed that market intervention is the answer. Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said: "I don't believe that the solution for cyber is a market-wide generic wording. Actually, I think that the opposite should be the case. The market should be in the position to tailor a cyber policy to the specific needs of each and every company, because every company has a different cyber risk profile, even in the same line of business," he said.

Jurrit Herber, head of risk at Eviosys, said that key for risk and insurance managers is to carry out serious work on risk identification, measurement and management, before heading off to the insurance market.

"We just carried out a major project on cyber quantification involving all our business units and production sites. Brokers may tell you that this is the benchmark so you need to buy these limits, but how can you be sure that this is correct? We carried out our own scenarios and worked out the potential financial impact. This can help you decide the right level of cover to buy and what prevention measures to take," he explained.

Following the analysis, Herber said the coverage bought was adapted with wording changes, limits increased, but also some reduced.

The main challenge was with deductibles, which the market was unwilling to reduce to the level of comfort required, which was a problem shared with most risk managers, he said.

"We would be comfortable with a lower deductible but most insurers are not willing to go that low nowadays. But overall, carrying out the project made us and our insurers both more comfortable with the risk," added Herber.

Switzerland needs robust response to cyber threat

Rising attacks across the board demand an upgrade in cybersecurity

◇ CYBER

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The sophistication and number of cyberattacks against Swiss organisations has risen dramatically in recent years, claiming victims in a broad range of sectors and not just the dominant financial sector.

In June of this year, for example, a coordinated attack took down sites of the military and federal administration and parliament, as well as Geneva's airport.

The attack was apparently carried out by pro-Russian hackers and coincided with preparations by the Swiss parliament for a video address by Ukraine President Volodymyr Zelenskiy.

A recent survey carried out by Deloitte among 400 board members at leading Swiss organisations found that 45% of large Swiss companies have been the victim of a cyberattack. Some 42% of cyber victims who took part in the poll experienced disruptions to their operations.

Hackers have published data from the Federal Office of Police and the Federal Office for Customs and Border Security on the darknet; full names and phone numbers of all 2,800 employees of the Bernese cantonal police and a vast dataset on the Organisation of the Swiss Abroad.

Swissinfo, the news agency that is part of the Swiss Broadcasting Corporation, recently reported that while Switzerland is not one of the highest risk countries for cyberattacks, the nation's defenses are not that strong relative to its peers in Europe. In 2022 alone, the National Cybersecurity Center documented more than 34,000 attacks. The numbers have tripled since 2020.

Meanwhile, Bern-based research and survey firm GFS recently found that Swiss SMEs still see cybersecurity as a low priority and that long-term protective measures are implemented only hesitantly.

▲ **Swiss SMEs still see cybersecurity as a low priority**

"There is therefore hardly any progress in the fight against cybercrime," said Simon Seebeck, head of the Cyber Risk Competence Center at insurer Mobiliar, one of the sponsors of the survey.

INCREASING THREAT

The big Swiss banks certainly take the cyber threat seriously. Ahead of the annual Bankers Day in September, the most important industry event for the Swiss financial centre, the Swiss Bankers Association (ABA) said: "Cyberattacks are no longer an abstract threat. In fact, they are increasing year by year, particularly in the financial sector."

The ABA hosted a panel discussion, including four experts – Florian Schütz of the National Cybersecurity Centre (NCSC), Marco Wyrsch of Swisscom, Yves Zumwald of Swissgrid and Alexandra Arni of the SBA.

The SBA said cooperation and coordination are key, based on this discussion. "An individual company cannot overcome a cyber incident like the distributed denial of Service (DDoS) attack on 15 June 2023 [on the Federal government] unaided these days. Because the financial centre and Switzerland as a whole are dependent on a small number of infrastructure providers, it is vital for collaboration with these to function properly, with interdependencies and consequences clear for all. Success can only be achieved through a joint, institutionalised approach," it said.

More positively, the SBA reported a "great deal of progress" during the past 18 months. The Swiss Financial Sector Cybersecurity Centre (FS-CSC), an association formed in 2022, now leads the way, pooling the resources of all its members. Banks, insurers, securities firms, SIX and the SNB work closely with the relevant authorities (the NCSC, FINMA and the State Secretariat for International Finance), explained the SBA.

REGULATORY RESPONSE

And of course, the Swiss Financial Market Supervisory Authority (FINMA) is well aware of the rising risk and sharpening its regulatory tools accordingly.

In its latest annual *Risk Monitor* report, it identified an increasing number of reported cyberattacks on supervised institutions.

It said that since the clarifications on the duty to report cyberattacks came into force in September 2020, 160 reports

> **"Cyberattacks are no** longer an abstract threat. In fact, they are increasing year by year, particularly in the financial sector"
>
> *Swiss Bankers Association*

of cyberattacks of "substantial importance" had been received by the end of 2022. Out of 63 reports received during 2022, 48 concerned banks.

More than half of the cyberattacks were directed against small institutions. About a quarter of the attacks targeted institutions in supervisory categories three and four, and only one cyberattack affected a larger institution.

In its *Risk Monitor*, FINMA listed cyber risks as one of seven principal threats faced by the financial centre in 2022. In monitoring this risk, FINMA focused on two aspects. Firstly, it continuously observed and assessed the threat situation and analysed the cyber reports; secondly, it carried out specific onsite supervisory reviews at supervised institutions and performed scenario analyses.

> **45%**
> Of large Swiss companies have been the victim of a cyberattack

FINMA said that, whereas 2021 saw an increase in the number of DDoS activities, 2022 was characterised in particular by malware attacks threatening the integrity of essential IT components.

The cyber reporting also showed that the primary purpose of the attacks was still to obtain unauthorised access to the infrastructure of the supervised institutions. The attacks most frequently took place via an external service provider in cases of outsourced services, followed by web-based attacks.

During the year under review, there was a focus on institutions in supervisory categories four and five, which accounted for many of the reported attacks on banks (66%). It was noted that these institutions were particularly vulnerable to attacks.

Information and communication technology (ICT) that had been outsourced to third parties was frequently affected.

"It was also apparent that service providers had often been issued with cybersecurity instructions that were insufficiently clear, or that regular checks to verify compliance with such instructions were not being carried out. FINMA also found that qualitative operational risk management processes had often failed to take explicit account of cyber risks, and hence no systematic and comprehensive risk management system was ensured for the cyber domain," said the surpervisor.

Perhaps not surprisingly, given the scale of the cyber problem worldwide and also the failure of Credit Suisse, FINMA has introduced new operational risk rules for banks that come into force on 1 January 2024 that include new cyber risk requirements.

"As part of a complete revision of the circular on operational risks of banks, the supervisory regulations governing cyber risks were also specifically revised. This included, *inter alia*, clarifications on establishing inventories of ICT to serve as a basis for swiftly identifying weak points, and links between threats and risks (known as threat intelligence)," it said.

Switzerland needs to take the cyber threat seriously as the success of this small nation's economy is largely founded on its reputation as a first-class destination that also enjoys equivalence with the EU.

The failure of Credit Suisse did not do the nation's reputation any favours and the subsequent cyberattacks on the federal government's websites and publishing of police and customs data will not have helped either. Switzerland needs to step up its efforts against the cyber threat on a national as well as corporate level.

PPPs needed to handle systemic risk

Swiss risk managers in agreement on need for public-private partnerships

◇ SYSTEMIC RISK

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The Covid-19 pandemic and sharp realisation that the insurance market would not and could not cover such a systemic risk in a consistent and comprehensive manner led to a clamour for public-private partnerships (PPPs), along the lines of existing nat cat and terror insurance pools in many countries.

To date not much has happened in the area of health risks, which is worrying given that another pandemic is seemingly inevitable.

But the ongoing rise in cyber and nat cat risks related to climate change and retreat of the insurance and reinsurance markets from these critical risks in recent times has meant that the focus of the PPP discussion has not gone away, but rather, shifted to these areas.

JOINED-UP APPROACH

Leading SIRM members interviewed ahead of the association's 50th Anniversary Forum in Bern generally agreed that a more joined-up approach is needed on such systemic risks in this increasingly uncertain and risky economic environment.

Ines Surholt, senior insurance risk manager at ABB Zürich, believes that action is needed on PPPs sooner rather than later.

"The government and the (insurance) industry should work together more efficiently. Without commitment and support from the authorities, the industry is not capable of providing the solutions that are needed. Too many hurdles in regulations may impact the industry's relevance. As an example in cyber, the authorities could regulate the market to make it mandatory for insurance companies to offer cyber insurance coverage. For example in building a pool, like the terrorism pools in certain countries," she said, just as it was revealed that UK terror insurance vehicle Pool Re plans to start offering cyber cover.

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, agreed that a coordinated approach is needed, with government involvement.

"In my opinion, it is important to tackle a comprehensive collaboration between public and private sectors. It should help to better understand the different risk areas and possible risk prevention measures as well as the financing options," she said.

▲ **Matthias Koeppel, risk manager EMEA at Crown Bevcan, believes that for specific areas like pandemics, there is probably no alternative to PPPs**

Stefan Günther, head of insurance at Coop Genossenschaft, agreed with many that the focus needs to be on systemic cyber risk. "Yes, especially for cyber. There is a significant lack of coordination and support, let alone standards. As for natural catastrophes and pandemics, the cooperation so far worked well. However, we as a retailer are in close exchange with the public sector as we are considered system relevant," he said.

Matthias Koeppel, risk manager EMEA at Crown Bevcan, is one who clearly thinks that the pandemic risk has not gone away and needs to be tackled along with other systemic risks.

"For specific areas, there is probably no alternative to PPPs. The pandemic has shown that this isn't insurable, but most governments acted quickly and were able to indemnify affected businesses and people. Why not have such a fund (with 0.1% annual profit for funding), before the next pandemic hits?" suggested Koeppel.

LOSS PREVENTION

Daniele Zucchi, the Switzerland-based managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said the answer is not always as simple as it seems, particularly in cyber, and said the focus needs to be first on loss prevention and risk management.

"It always sounds a great idea and, in some cases (nat cat) has worked out quite well. But, it may not work for all kind risks. I am not sure that it would work for cyber, specifically ransomware – why should the public pay for crime?" he said.

"In my opinion, the state should do more on the prevention side. I say that, looking for example at the floods in my home country (Italy), the sheer amount of damages could be reduced simply by maintaining the territory properly. Once the state has done its job, then the private sector might be more confident about the risks and be of more support for insurance takers."

Jurrit Herber, head of risk at Eviosys, spoke for the majority as he said that he can see no option to state involvement if climate change continues at the current rate. "I cannot prevent an earthquake or a flash flood, but I can do as much as possible to protect us from the impact," he said.

"But if climate change continues at this rate, there will come a point when these risks will become uninsurable, or deductibles are so high it does not make sense. You can only do so much to protect yourself. It needs cooperation between the government and the insurance industry, as with Consorcio in Spain.

"There is a sword of Damocles hanging over all our heads and we need government-led solutions, ideally at an EU level. A good storm does not stop at the border!" Herber rightly concluded.

Switzerland launches first earthquake platform

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Switzerland's earthquake damage organization (EDO) has completed the development of its IT platform and is now fully operational after being created back in 2021 to help the nation meet the challenge of quake risk.

The EDO – a public-private partnership – said that damage experts can use new mobile applications to quickly record all damage and event information following an earthquake, as well as estimate the costs for reconstruction. "The organisation is thus playing a crucial role in facilitating a swift recovery for both society and the economy in the aftermath of an earthquake," it said.

Earthquakes are considered one of the most significant risks in Switzerland, as there can be devastating consequences if large earthquakes strike near densely populated areas.

"For this reason, a public-private partnership organisation with broad support among the cantons and the insurance industry has been established over the past 12 months. The project, which required intensive cooperation between the Confederation, cantons, insurers and development partners Swiss Re and risktec AG, was completed with the expected functionality as well as on time and within the slated budget," said the EDO.

"The Schadenorganisation Erdbeben helps ensure that the economy and society can recover quickly after an earthquake, thanks to the new platform and the organisation's extensive network of experts," said Dr Stephanie Eymann, member of the Basel-Stadt government and president of the association.

Shortly before the official launch, the Swiss Insurance Brokers Association held a webinar with Bruno Spicher, head of the EDO, to explain the new system.

"The organisation is expected to play an important role in accelerating the recovery of the economy and society after an earthquake, with insurers and brokers also playing a crucial role in claims settlement," noted the association.

The system uses data from the earthquake risk model of the Swiss Seismological Service (SSS) of ETH Zurich to determine the number of buildings that may be affected, as well as the number of experts required to promptly evaluate the event.

The platform provides access to all data from the Federal Register of Buildings and Dwellings so that experts have the information required to assess the condition of affected buildings and estimate the damage.

To ensure rapid processing, the platform also provides information about the experts needed to deal with the incident, including engineers, architects and construction specialists. Based on this information, the Schadenorganisation Erdbeben can use SMS and email to quickly request support from hundreds of experts.

"A systematic and structured approach is key to recording the damage to all buildings. A sophisticated technical process was therefore employed to group all buildings in Switzerland and the Principality of Liechtenstein into sectors consisting of 10 to 30 buildings each. Each sector has a unique identifier, consisting of information relating to the canton and municipality, coupled with a number. If an earthquake occurs, these sectors are allocated to the damage experts to process," explained the EDO.

"The earthquake risk model is part of the federal government's programme of measures for earthquake mitigation, coordinated by the FOEN, the aim of which is to ensure comprehensive seismic risk management at federal level. Furthermore, the federal government's strategy of integrated risk management for natural hazards requires that these risks be transparently quantified and periodically updated and communicated in accordance with the latest knowledge. The earthquake risk model of Switzerland also makes a significant contribution to this objective," added the SSS following the launch.

The EDO is funded by the cantons, the Principality of Liechtenstein, cantonal building insurers and private insurers. Specialist units of the Confederation, including the SSS, the Federal Office for Civil Protection and the Federal Office for the Environment, are also supporting the EDO and ensuring coordination with earthquake preparedness measures at the federal level.

Swiss dual disaster insurance system works but needs reform

Earthquake remains a particular challenge and needs a solution

◇ SYSTEMIC RISK

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Switzerland has a unique system of public-private insurance coverage arranged on a regional basis and designed to plug protection gaps and protect individuals and business against the rising threat of natural disasters.

The Vereinigung Kantonaler Gebäudeversicherungen (Association of Cantonal Building Insurance Companies – VKG) insists that the system has served the country and its inhabitants well over the years but also concedes that the challenges posed by climate change in this densely populated country means that adaption of the system will be needed.

The dual system, featuring both regulated private insurance (covering 20% of buildings and insured value) and localised public sector monopolies (covering 80% of buildings and insured value), provides"double solidarity" between the insureds and also between the insurers.

The VKG disaster insurance system is also integrated with prevention, response and mitigation activities at a federal level, through the integrated national risk management system developed in the 1990s following a wave of natural disasters.

As fire and disaster insurers, the KGVs also supervise the work of the fire brigades. A significant part of the cantonal insurers' budget (about CHF250m per year), financed by their premiums, goes into the training and equipment of fire brigades. This helps in containing damages, particularly in relation to floods, through preparedness (such as the use of mobile flood defences) and prompt response.

▲ A significant part of the cantonal insurers' budget goes into the training and equipment of fire brigades

In a comprehensive review of the system commissioned by the VKG and published at the end of 2022, it said that the integration of loss prevention and insurance is seen in Switzerland to a much greater extent than in most other protection gap entities across Europe and worldwide.

"This approach has allowed the Swiss system to provide very affordable and comprehensive insurance against a range of disasters, which is economically and socially sustainable," said the association.

"Nonetheless, it faces important challenges in relation to: Earthquake; increasing risk due to climate change; growth in urban

▲ **Proposals to extend the system to earthquakes were close to being passed by the Swiss parliament in 2007 and again in the early 2020s**

population leading to construction in exposed locations; changes in construction methods resulting in more vulnerable buildings; and changing cultural preferences that accentuate individualism. The Swiss system will thus need to continue to adapt to address these ongoing challenges," said the VKG.

The association pointed out that, while the system is currently well financed, this increase in risk is "problematic" over the long-term. One critical issue for the Swiss system will thus be continuing to adapt its remit to a risk profile in which losses are likely to be more frequent and/or more severe.

PROTECTION GAP

Further, while the Swiss system is comprehensive, there is a significant protection gap in relation to earthquake.

"This has been a longstanding unresolved problem that, while recognised, has defied several attempts to address it. The difficulty in expanding the remit to earthquake is linked to the difficulty of aligning with the interests of the wider range of stakeholders. The nature of earthquake risk in Switzerland raises issues of 'geographical' equity within the strong principle of solidarity. Earthquake risk is very unequally distributed across the country, with little risk in some cantons and much higher in others. Thus, adding it to a basket of existing protection that is perceived to be overall balanced and equitable is not trivial," explained the VKG.

Another challenge is that of "intergenerational" equity.

"Unlike the disasters that are currently covered, the return period for earthquakes is estimated to be very high. The understanding of solidarity in the current system is very much among citizens of the same period in time. There is thus some resistance to burdening today's citizens to provide solidarity for a generation who might not yet be born. Furthermore, questions also arise over whether it is wise to have a large pot of money from earthquake premiums collected in the present era, which may be unused for decades or even centuries," said the association.

Despite these significant challenges, proposals to extend the system to earthquakes were developed in collaboration between the KGV system and the private system, and were close to being passed by the Swiss parliament in 2007 and again in the early 2020s.

On both occasions, crises intervened – the financial crisis of 2007-2008 and the Covid-19 pandemic in 2020 – resulting in the perception that earthquake insurance is actually not needed because, in the event of a disaster, the government will come up with the funds anyway. This brought the initiatives to a standstill.

ALTERNATIVE SOLUTIONS

Currently, there is little hope within the KGV and commercial insurance market community that an insurance-based solution will be found, said the VKG.

Alternative solutions are being explored, such as the institution of a property tax that would be levied on all properties in the event of an earthquake, and would thus provide the funds for reconstruction of the damaged ones.

Another possibility is a post-event funded insurance scheme, in which earthquake insurance cover could be provided as part of the current compulsory system without a significant rise in premiums. Any post-event losses could be recouped through increases in premiums, levied across all policies over a specific period of time after the earthquake, to contain the repayment of the insured losses to the generation in which they occur.

It seems the discussion will continue and hopefully some kind of solution to add to the cover and risk mitigation services provided by the existing system will be found sooner rather than later. ●

Captives show their worth in tough market

SIRM members agree on 'countless' benefits of captive insurance companies

◇ SELF-INSURANCE

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There has, not surprisingly, been a sharp rise in interest in captives during the recent tough market, as risk and insurance managers struggled to find adequate capacity for key risks.

The Swiss risk managers who took part in this year's Risk Frontiers Europe, survey carried out ahead of the SIRM Forum in Bern, certainly made use of this important element of the risk manager's toolkit to buttress themselves against the worst of the hard market.

Stefan Günther, head of insurance at Coop Genossenschaft, said he had certainly made more use of the retail group's captive and would continue to do so: "We decided to carry more risk in our captive to achieve a greater level of independence from the insurance market. The main reason for that is not even the premium but the dependency on management portfolio decisions. We also don't cover cyber through our captive, but we cover hygiene cover by our captive."

Daniele Zucchi, Switzerland-based managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said the benefits of using a captive in a tough market are "countless".

"They go well beyond the optimisation of the group insurance expenditure, ranging from the possibility of having buybacks of exclusions, extended coverages, covering exotic risks such as D&O – Side A included – and cyber, yes, ransomware too, to the control of the benefit plans for employees, *ex gratia* payments. Having a captive and putting it at risk shows to insurers the level of confidence a group has in its risks," he said.

"Having a captive and putting it at risk shows to insurers the level of confidence a group has in its risks"

▲ **Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem**

STABILITY

Ines Surholt, senior insurance risk manager at ABB Zürich, also made good use of her firm's captive during the tough market. "The benefit of a captive is huge, especially in the current market environment with high prices, low limits and restricted coverage. It helps to keep the premium level stable, allows the tailoring of creative insurance solutions and gives the insured a bigger influence in risk control through financial incentives," she said.

Matthias Koeppel, risk manager EMEA at Crown Bevcan, agreed that the captive had proved useful in recent times but did note that there are limits to its use.

"The captive is highly beneficial to avoid dollar trading with insurers. We were able to increase our retention to avoid higher premiums, and even had insurers that would not have quoted otherwise (property). However, we cannot increase our retention in an unlimited manner, otherwise, the captive will become too big. We do not intend to have cyber in our captive," he said.

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, said her group used to have a reinsurance captive, but following its decision to slim down and focus only on textile business, the benefits of the captive reduced. Because of the increasing requirements of Solvency II and the soft market conditions at that time, the group decided to sell the captive.

Overall though, Lämmli, sees the benefits of a captive currently: "Generally, I see the benefits of a captive as a certain flexibility and a good and efficient risk financing alternative, especially in critical risk areas with high premium demand and reduced or low available capacity," she said.

Captive outlook positive in Switzerland

Lighter-touch rules planned for 2024

◇ REGULATION

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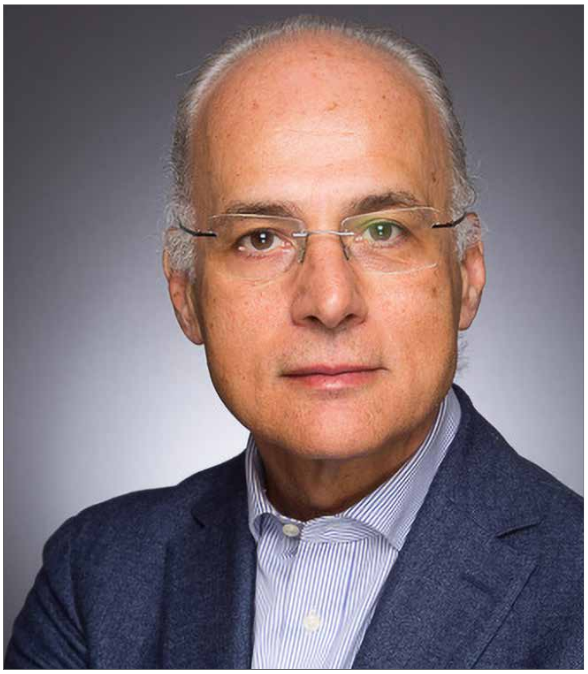
Two new reinsurance captives were registered in Switzerland in 2022, bringing the total supervised by the Swiss Financial Market Supervisory Authority (FINMA) up to 24.

As noted in discussion with SIRM members in the lead-up to the association's 50th Anniversary Forum in Bern, there are obvious attractions of captives in the current market as risk and insurance managers across Europe and worldwide have had to cope with spiralling prices and evaporating capacity in key lines.

STMicroelectronics, a Swiss-based technology multinational, is the parent group of one of the new captives. Maurizio Micale, group vice-president of corporate insurance risk management at the group, said the main driving factor for the creation of the new captive was the lack of risk appetite among leading insurance carriers to underwrite the risks faced by a semiconductor business in the recent environment.

Micale pointed out that a high degree of knowledge about the risks faced by captive owners is critical before taking the big step into the captive world. In this sense, the recently tough market conditions help as risk and insurance managers have had to retain higher deductibles due to the lack of underwriting capacity for the primary layer, as well as for the excess layers in certain lines.

Named European Risk Manager of the Year in 2022, Micale chose Switzerland as the location because the firm is headquartered in the country and it has a well-developed captive management ecosystem, making it a natural choice of domicile for the reinsurance captive.



▲ Maurizio Micale, group vice-president of corporate insurance risk management at STMicroelectronics, said the main driving factor for the creation of his firm's new captive was lack of risk appetite among leading insurance carriers

REGULATORY UPDATES

The current review of Solvency II is expected to strengthen the principle of proportionality and attempt to ensure that national supervisors across the EU reduce the capital and reporting burden for captives.

A review of the Swiss insurance law is also underway and it is hoped that the same approach will be taken, making the creation and management of captives more attractive in Switzerland too.

In June this year, the Federal Council announced that it is "committed to making Switzerland a competitive and innovative location for insurance".

It approved amendments to the Insurance Oversight Ordinance with regard to private insurance companies, and brought both the revised Ordinance and the revised Insurance Oversight Act (IOA) into force with effect from 1 January 2024.

"The partial revision of the IOA passed by parliament on 18 March 2022 strengthens the protection of insured persons in particular, as well as the competitiveness and innovation capacity of Switzerland as a location for insurance. Small insurance companies now benefit from relaxed supervisory rules if they comply with minimum requirements," it said.

"To the extent its business is limited to intragroup direct or reinsurance, it may benefit as a captive from exemptions. To make use of such exemptions, the insurers will have to notify FINMA accordingly within six months of the entry into force of the new ISA," added the supervisor.

Professor Joachim Frick, partner in the Switzerland offices of global law firm Baker McKenzie, explained in a note when the plans were first unveiled at the end of last year that the federal law on the supervision of insurance carriers (VAG) will introduce a new, risk-based supervision regime that allows for more tailor-made supervision.

According to Frick, the revised law will contain measures to allow for the application of the principle of proportionality that risk managers have long argued has not been fully applied by many of Europe's insurance supervisors under Solvency II, thus making captives less attractive.

"For insurers with only professional policyholders, for small and new first insurance carriers and for reinsurers and captives, substantial exemptions from supervision will apply or can be requested from the supervisor," wrote Frick in the note.

"Less strict supervisory rules will apply to small insurers, reinsurers and insurers with only professional policyholders. Therefore, it is recommended that firms review their business with the purpose of applying for the appropriate supervisory regime," he added.

Swiss risk managers say worst of hard market is over

But few signs of overall softening in face of inflation

◇ ANALYSIS

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Swiss risk managers were equally unimpressed by the performance of their insurers during the recent dramatic market hardening as their peers across Europe.

The good news is that, as reported elsewhere during *Commercial Risk Europe*'s annual Risk Frontiers Europe survey, the crisis period is now over and the market is returning to a more predictable state.

Given the level of natural catastrophes and pressure applied by inflation on property lines in particular, leading SIRM members do not expect an overall softening any time soon.

Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said: "The performance of the commercial insurance market wasn't exactly exciting. I experienced a further hardening on lines like PD [property], casualty, marine liability, D&O, cyber and EB [employee benefits]. Practically every line was affected. This year I'd like to see at least a change in the pattern and some markets relax. For those really exposed to nat cat and fires, the renewal looks to be a challenging one."

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, said that, in her view, generally the performance of her insurance partners has been satisfactory, but she was not impressed by the sudden nature of the shift.

> **"The change over** from the soft market into a hard market was too quick without a proportionally good reason"

▲ **Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management**

"The change over from the soft market into a hard market was too quick without a proportionally good reason. We expect a general relaxation of the market soon, and it is already happening in different areas," she said.

SERVICE

Sabrina Hartusch, global head of insurance at Triumph Holding, echoed the thoughts of many when she said it is time for the insurers to stop pushing for more rate and focus on customer service, particularly given the healthy level of profits reported.

"I am not expecting any hardening of the markets, in any region of the world. Insurers had record profits in times where their clients had very difficult times. it is now absolutely time to refocus on their clients and what they are here for," she said.

Hartusch advised SIRM members to get started on renewals as early as possible and sell their risks to the market to obtain the optimal results.

"Property will remain under focus due to the greater emphasis of insurers on climate risks and nat cat overall. Risk managers must plan in enough time. A proper renewal takes time, also because often many stakeholders are involved and have to be managed throughout the process. Risk managers must always present their companies in the most optimal point of view vis-à-vis the insurance market. It is good that insurers have to compete on very good accounts," she said.

Ines Surholt, senior insurance risk manager at ABB Zürich, also pointed to the healthy results achieved during the crisis period as risk and insurance managers struggled.

"Despite the crisis (which seemed not to affect insurers), they reported the best results ever. But unfortunately, the profit is made at the expense of the insureds. There might be a softening in D&O and erection all-risk, but only for accounts with a positive loss ratio.

Other lines such as property and, for sure cyber, will still be challenging," she said.

RENEWALS

Matthias Koeppel, risk manager EMEA at Crown Bevcan, is not optimistic about upcoming renewals. "With the increase of nat cat and cyber events, I do expect an even harder market, so this will be challenging. Some carriers may even reduce capacity dramatically. Only casualty may be flat," he said.

Jurrit Herber, head of risk at Eviosys, said he sees positive signs in cyber and D&O but fears that inflationary pressures will maintain the upwards pressure in most lines.

"With the impact of inflation, cost of assets and supply chains, I can't imagine premiums will not go up again in property and BI. Having said that, cyber seems to have reached a peak along with D&O. The continued rise in nat cat events leads to greater uncertainty along with inflation and, as a result, there seems to be only one way the insurers can go with prices and it's up," he said.

Stefan Günther, head of insurance at Coop Genossenschaft, did say that at least insurers are paying more attention to individual loss records, which is a positive development.

"From my point of view, the market has already softened to some extent. We are overall still in a hard market, but the insurers are again focusing more on individual performance. I would not say it can be linked to individual lines, but rather, from which point/level you are coming from. Property has, so far, been more challenging then liability, whereas for some of my colleagues, it was the opposite," he said.

Herber concluded with some good advice that really applies whether the market is soft or hard – act as if insurance is not there.

"Insurance is necessary whether from a regulatory or financial perspective, but companies really should be working as if there is no insurance in place. Act as if it is not there," he said.

Swiss insurers post healthy results on back of rising prices

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FINMA, the Swiss insurance supervisor, recently published its 2022 insurance market report with aggregated data on the Swiss insurance market. The data shows that Swiss insurers were largely able to offset the unfavourable market conditions with falling prices on the stock and bond markets thanks to a decent underwriting performance.

Swiss insurance companies achieved aggregate annual profits of CHF7.6bn in 2022, which represents an overall increase of 1.5% over the previous year. The annual profits of life insurers fell by 9% to CHF1.3bn. Non-life insurers' aggregate annual profits fell by 3% to CHF5.8bn. Reinsurers increased their annual profits from CHF0.1bn in the previous year to CHF0.5bn in what was a rapidly hardening market.

Aggregate gross premium volume increased by CHF9.5 bn or +7.9% in the year under review to CHF128.9bn. All sectors recorded significant increases in their premium volumes compared to the previous year. "On the one hand, these premium increases reflect inflation; on the other hand, they are also the result of increased tariffs, especially in the reinsurance sector," noted the supervisor.

Gross premiums generated by reinsurance companies under supervision in Switzerland rose substantially in 2022, by 12.5% to CHF51.3bn. The loss ratio deteriorated slightly, by one percentage point to 66.6%. Despite a shift from an investment gain of CHF1.4bn in 2021 to a loss of CHF2bn, the overall annual result improved from CHF121m to CHF547m, but still represented a "modest" return on equity (RoE) of 2.1%, noted FINMA.

The SST (Swiss Solvency Test) solvency ratio for reinsurers improved significantly, by more than 50 percentage points to 256%.

Swiss regulated reinsurance captives achieved improvements in their claims ratios, noted FINMA

But in 2022, the claims ratio in the non-life reinsurance sector deteriorated by 3.8 percentage points to 69.4% (2021: 65.6%). This development was largely shaped by the performance of the catastrophe segment, which deteriorated by 13.6 percentage points to 81.7%.

"The year 2022 was characterised by high losses due to natural disasters, which were reflected not exclusively but nevertheless significantly in the catastrophes segment. Across the market as a whole, insured catastrophe losses were slightly higher than in the previous year and were significantly above the 10-year moving average," noted FINMA.

NAT CATS

Because of the high cat losses led by Hurricane Ian, FINMA conducted a survey of the market to obtain a more accurate picture of the insured losses that year.

"The survey was aimed primarily at professional reinsurance companies, with a focus on loss estimates for natural disaster events as at 31 December 2022. The losses of the Swiss companies totalled CHF4.4bn. Of this, CHF 3.2bn was incurred by reinsurance companies. These losses did not lead to a solvency risk for any of the companies," concluded FINMA.

The results of the Swiss insurers and reinsurers reflect those of the market across Europe and worldwide. Profits are healthy and premiums rising on the back of rising prices and insured values. But nat cat losses remain a big concern, especially for the reinsurance sector and, combined with continued nervousness in other key lines such as cyber, SIRM members will have to live with a disciplined market for some time yet.

The healthy results delivered by Swiss reinsurance captives do, however, further suggest that those who take their risk management seriously and invest in it will reap rewards over time.

SIRM members urge insurers to focus on service and talent

◇ CARRIERS

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The recent hardening in the commercial and corporate insurance market has interestingly sparked a bigger reaction about service levels than price among Europe's leading risk managers, and the Swiss were no exception during this year's Risk Frontiers Europe survey carried out in the lead-up to the SIRM 50th Anniversary Forum in Bern.

SIRM members have of course struggled to explain huge price spikes and sudden shortages in capacity in key lines such as cyber during recent renewals.

There appears to be a general acceptance that prices will remain high for now in most lines, with D&O perhaps being the exception. What SIRM members would really like their insurer partners to focus on, however, is improved service, better communication, more transparency, consistency and contract certainty, and perhaps above all, finding and keeping high quality staff.

CUSTOMER FOCUS

Ines Surholt, senior insurance risk manager at ABB Zürich summed it up neatly as she said: "Put the customer in the focus not the profit. Invest more in young people. I believe the insurance industry in Switzerland has a lack of new talent, which comes from not investing in people, but rather in profit.

"In connection with ESG topics. Insurers have many data sources related to sustainability so why not offer this to customers without additional costs?"

> **"The insurance market** needs to be more flexible. Difficult times require outside-of-the-box solutions"
>
> *Stefan Günther, Coop Genossenschaft*

Stefan Günther, head of insurance at Coop Genossenschaft, one of Switzerland's largest retail and wholesale companies, said he wants to see more flexibility and creativity: "The insurance market needs to be more flexible again. Difficult times require outside-of-the-box solutions. Unfortunately, many insurance companies are strongly head office driven and hence not allowed to provide creative solutions. Here, the costs are not the main focus, but the quality of the underwriting. Underwriting services and the account manager need to be kept at a certain level or better still, improved."

Daniele Zucchi, managing director of Sigurd Ruck, the single-parent captive owned by Italian oil and gas multinational Saipem, said the focus for insurers needs to be on investment in quality underwriters.

"Insurers and brokers should invest more in training good corporate underwriters. In my opinion, many insurers make a dreadful amount of losses because they lack people with a good understanding of the corporate business. I am convinced that, with more skillful underwriters, costs should decrease and more innovative or more modern products can be developed," he said.

DIGITAL TRANSITION

Matthias Koeppel, risk manager EMEA at Crown Bevcan, said he would like the focus to also be on making the digital transition and using the data that insurers and brokers both hold more effectively for the benefit of customers.

"Digitalisation is not where it should be in international business. Too many local systems and manual interventions are slowing down policy and invoice issuance. I have not seen a lot of improvements in the last decade. Service improvements on my wishlist would involve support for property data collection, evaluation and maintenance, best achieved by providing a respective online/digital solution. It's too expensive for an industrial company to build an independent tool. Brokers and insurers have thousands of customers who would profit from such a digital system and could contribute with small amounts," said Koeppel.

Evelyn Lämmli, head of corporate risk and insurance management at Rieter Management, said the focus for insurers needs to be on simplification, transparency, consistency and claims.

"Generally, our insurers provide a good service and are often open for innovative solutions in collaboration. Of course, there is always room for improvement. Simplification of policy conditions and providing more efficient and transparent systems would be helpful. Sometimes we miss a certain structure, especially with bigger claims. It would be helpful if there would be more defined procedures, checklists, explanations etc, which we could provide internally to other departments involved for the claims identification and calculation, especially in BI. Of course, every claim is individual, but in my opinion that would help both parties (insurer and insured) to handle the claim more efficiently," she said, ending on the most important element of insurance – efficient settlement of the claim.

Climate risk: Investing in resilience is more important than ever

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In today's world, businesses face an imperative to invest in climate resilience to protect today and drive business growth tomorrow. Climate change is no longer a distant threat; it's a reality that affects operations, supply chains and profitability.

We've seen natural hazard losses rising worldwide due to climate change and this has been reflected in Switzerland with record amounts of rainfall in parts of the Alps this summer causing flooding and landslides. Forward-thinking businesses understand that embracing climate resilience isn't just a moral obligation, but a sound strategy for long-term success.

TAILORED RISK ASSESSMENTS CAN HELP UNCOVER THE RIGHT RESILIENCE STRATEGY

Climate risk will impact companies in a number of ways, and it's vital that businesses understand what their specific vulnerabilities are. Adapting to climate change is no small task, but it is made a lot more manageable if mitigation measures are targeted. This also makes sense from an economic perspective, as tailored solutions to tackle specific climate vulnerabilities are a lot more efficient compared to general initiatives that lack focus.

A number of available tools and resources can help businesses with this. One example comes from the FM Global suite of climate resilience products, including the Climate Risk Report and the Climate Change Impact Report. These innovative tools combine client-specific engineering data with the latest climate science and modelling to pinpoint locations most susceptible to the potential impact of climate change-driven extreme weather events. Tools like this offer practical insights, providing the cost-effective case for specific investments in climate resilience solutions.

Companies that leverage this type of analysis can efficiently prioritise and make targeted investments, whether in the form of flood barriers, fire-resistant doors, or fortified roofs capable of withstanding snowstorms, for example.

INVEST NOW FOR LONG-TERM FINANCIAL BENEFITS

For some companies, measures like this may seem costly, but what about the cost of inaction?

A warehouse fire or a factory flood triggered by a natural hazard and exacerbated by inaction doesn't just cause property damage. Such an event can have negative medium- and long-term consequences on the business. Shutdowns and supply chain disruptions can lead to a noticeable reduction in production, decreased sales and a drop in revenue.

In addition to the material impact, the effect of intangible asset loss, which encompasses issues like harm to reputation, loss of market share, missed growth prospects, and a decrease in investor trust, can have a significant impact.

For instance, a study commissioned by FM Global revealed that, after reporting financial repercussions stemming from a major flood event, 71 of the world's largest publicly traded companies witnessed an average decline in shareholder value of 5% in the year following the initial flood-related losses. Traditional property insurance policies often fall short when it comes to predicting and providing comprehensive coverage for these intangible outcomes.

This highlights that often the most effective approach to mitigating exposure to these types of losses is by enhancing climate resilience with tailored solutions.

PROMOTING CLIMATE RESILIENCE WITH THE HELP OF A RESILIENCE CREDIT

For all these reasons, FM Global works alongside its clients to anticipate and mitigate climate risks. As a mutual company, we are also able to go beyond only sharing risk management recommendations, providing credits to help eligible clients make investments in climate resilience.

This is the driving force behind the Resilience Credit that FM Global has again issued this year.

Allocating $350m for clients across the globe, the Resilience Credit will be applied as a 5% premium offset against eligible FM Global policies with renewals or anniversaries between 1 October 2023 and 30 September 2024. The aim is to encourage businesses to invest in solutions that reduce their exposure to climate risks.

FM Global has calculated that the previous Resilience Credit, in the amount of $300m, has accelerated the implementation of technical recommendations related to natural hazards, driving a forecasted reduction in economic impact of up to $20bn.

These are investments to protect the future, and we've seen numerous examples of clients embracing and utilising the credit. For instance, one North America-based client in the biotechnology industry used the credit to strengthen its flood protection system at a key R&D site. Clients across Europe have also utilised the Resilience Credit in similar ways, securing their operations against climate risk.

Investing in climate resilience is not only a responsibility but a strategic imperative for businesses. It protects against climate-related risks, enhances competitiveness and promotes sustainability. More and more businesses are coming to recognise that embracing climate resilience is a pathway to long-term success and a vital component of corporate social responsibility.

By taking proactive steps to adapt and innovate, businesses can create a brighter and more sustainable future while securing their own profitability and longevity. ●

Contributed by:
Rudolf Scheller, general representative, vice president at FM Global

Medium-sized businesses and the importance of insurance

Michael Rüsch, country head Switzerland for Swiss Re Corporate Solutions, tells *Commercial Risk* why international programmes and parametric insurance are not just for the largest companies in Switzerland

◇ SWISS RE CORPORATE SOLUTIONS

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There is a belief in the commercial insurance market that sophisticated insurance solutions like international programmes or parametric insurance are exclusively designed for large corporates with dedicated risk and insurance managers. In reality, the picture is much broader.

Switzerland is home to about 190 small and mid-cap companies. According to Swiss asset manager Mirabaud, these companies are known for their efficiency and innovation. Their "varied business models" have a "commonality of operational excellence to cope with cost inflation through productivity gains and innovation".

But while these "highly productive, lean and agile native businesses" may represent a "great investment opportunity", according to Mirabaud, they are also exposed to the same corporate risks as larger entities operating in Switzerland.

For example, there is the increased risk caused by climate change. According to the Federal Office of Meteorology and Climatology, Switzerland faces increasing risk from more extreme weather with more hot days, heavier precipitation, drier summers and winters with little snow.

Indeed, it could be argued that insurance is even more critical for medium-sized businesses than it is for larger corporates. A large loss poorly managed can have a devastating impact for a business without huge financial reserves and dedicated risk and insurance management teams.

"We address these issues for our medium-sized customers on a daily basis," says Michael Rüsch, country head Switzerland for Swiss Re Corporate Solutions. "These businesses are often lean and focused, and they do not have the resources to employ teams of professional risk and insurance managers – and this is where we have a lot of value to add."

Advanced solutions like parametric insurance and innovative risk solutions or international programmes can play a vital role in bridging the resources gap, says Rüsch. "It's about providing straightforward solutions to critical issues."

SOLVING CRITICAL ISSUES WITH STRAIGHTFORWARD PARAMETRIC INSURANCE

Parametric insurance is a proven tool that is just as applicable for medium-sized clients as it is for large corporates. Indeed, parametric offerings are gaining traction within the mid-market as an efficient way to solve emerging or accumulating risk issues and to benefit from fast cash settlements, says Rüsch.

Thanks to predefined triggers, an index-based cover and a swift cash settlement, the claims process is very simple and enables companies to keep operating. And according to Rüsch, the demand for parametrics among mid-sized Swiss companies is rising due to an increasingly volatile environment, but also advancements in data and technology that make it easier to develop more indices and more accurate modelling, such as for flood and draught.

"Many of our Swiss mid-sized customers are family-owned businesses and protecting their assets over several generations is a very high priority," says Rüsch. These businesses can rely on Swiss Re Corporate Solutions to provide risk engineering insights and analytics so they can take a forward-looking approach to risk management.

"As an insurer and part of the Swiss Re Group, we're in the privileged position to have a broad view of the changing risk landscape," says Rüsch. "Risk experts in our industry practices and risk engineering teams leverage our broad group resources (such as the Swiss Re Institute) to work closely on the ground with our brokers and customers on their risk mitigation plans."

INTERNATIONAL INSURANCE NEEDS

An international insurance programme can help businesses that operate across borders but with a decentralised structure and therefore less visibility about the risks faced by their global operations.

"Our offering addresses exactly these needs to have a more consistent coverage across countries with clear visibility on local policies issuance, premium payments, claims and risk engineering services," says Rüsch.

Swiss Re Corporate Solutions relies on its vast network of employees and partners to provide constant and comprehensive support to Swiss companies looking to expand their businesses internationally.

Technology is also key to making the international programme offering more efficient and effective, says Rüsch. He cites the PULSE portal that enables mid-sized companies and their brokers to view their policy, track premium payments, submit and monitor losses, and update risk improvements in real-time and from one secure place.

Meanwhile, the ONE Form wording framework ensures automation, consistency and transparency of coverage, and a network covering 150+ countries. ●

Produced in association with:
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