

Federal supervision of insurance

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The growth of the insurance industry raised questions of consumer protection. Insurance is a promise to pay in the future: the policyholder who pays premiums today depends on the insurer's ability to meet its obligations years or decades later. An insurer that charges insufficient premiums, invests its reserves imprudently or is managed dishonestly can fail, leaving its policyholders without protection. In the nineteenth century, several insurance companies in Switzerland and abroad failed, while foreign insurers operating in Switzerland were sometimes unreliable.

In 1885, Switzerland adopted the Federal Act on the Supervision of Private Insurance Companies, one of the first laws of its kind in Europe. It required insurance companies operating in Switzerland to obtain a licence from the Federal Council, to deposit securities as a guarantee for their Swiss obligations, to publish their accounts and to submit to federal supervision. A Federal Insurance Office was created in 1886 to exercise this supervision.¹ The Federal Insurance Office supervised the insurers until 2009, when its functions were transferred to FINMA.

The early introduction of federal insurance supervision, half a century before the federal supervision of banks, reflects the particular nature of insurance as a long-term promise to the public. It also reflects the political influence of the Swiss insurers, which welcomed supervision as a means of excluding unreliable foreign competitors and of strengthening public confidence in their products. The Swiss insurance supervision became a model for other countries. Its principles of licensing, solvency requirements and public accounts are the foundation of modern insurance regulation.

The Insurance Contract Act of 1908, which regulates the relationship between insurer and policyholder, completed the framework. It defined the duties of disclosure of the policyholder, the obligations of the insurer, the

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rules on premiums, claims and termination, and the rights of beneficiaries in life insurance. It was revised substantially in 2020, with effect from 2022, to strengthen the protection of policyholders.²

1 Notes

1. Federal Act of 25 June 1885 on the Supervision of Private Companies in the Field of Insurance, and the establishment of the Federal Insurance Office in 1886, see the history of Swiss insurance supervision. To be verified. ↩
2. Federal Act of 2 April 1908 on the Insurance Contract (ICA, SR 221.229.1), revised by the amendment of 19 June 2020, in force since 1 January 2022. To be verified. ↩

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