

International expansion

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The Basel insurers looked beyond Switzerland from the beginning. The Swiss market was small. The Basel companies, founded by merchants with international connections, sought business in the neighbouring countries. Germany, with its large and growing population and its rapid industrialisation, became their most important foreign market. The Basel insurers opened branches and agencies in Germany in the second half of the nineteenth century and built a substantial German business in fire, transport and life insurance.¹ Other foreign markets followed, among them France, Austria, Belgium and the Netherlands.

The international business exposed the Basel insurers to the economic and political risks of the countries in which they operated. They had to comply with foreign supervisory rules, which often required them to hold reserves in the host country and to invest them in local assets. They faced competition from domestic insurers and, in some countries, discrimination in favour of domestic companies. And they bore the risks of currency depreciation, which could reduce the value of their foreign reserves in Swiss francs, and of political upheaval, which could lead to the confiscation of their assets.

These risks materialised after the First World War. The German hyperinflation of 1922 and 1923 destroyed the value of the mark, and with it the value of the reserves that the Swiss insurers held in Germany to cover their German life insurance policies. When policies denominated in marks became worthless, the insurers faced claims from policyholders who demanded compensation. The Swiss insurers had to negotiate with the German authorities and policyholders and bore significant losses.² The Russian Revolution of 1917 led to the confiscation of the Russian business of foreign insurers. The experience of these losses made the Swiss insurers more cautious in their foreign business and taught them the importance of matching their foreign liabilities with foreign assets in the same currency.

1 Notes

1. On the expansion of the Basel insurers into Germany and other countries in the second half of the nineteenth century, see the history of Baloise and the literature on Swiss insurers abroad. To be verified. ↩
2. On the effects of the German hyperinflation of 1922/23 on the German business of Swiss insurers and the subsequent revaluation questions, see the literature on the history of Swiss insurers in Germany. To be verified. ↩

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