

Public disclosure and the Financial Condition Report

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For many years, the results of the SST were known only to the supervisor and the insurer. The public, the policyholders and the investors saw the statutory accounts and, for listed groups, the consolidated accounts under international accounting standards. The economic solvency position on which the supervisor based its assessment remained hidden from them. This changed with the FINMA circular on public disclosure by insurers, which required insurers to publish an annual Financial Condition Report from the financial year 2016, with the first reports appearing in spring 2017.¹ The report describes the insurer's business activities, its results, its governance and risk management, its risk profile, its market-consistent valuation and its capital management. Most importantly, it discloses the SST ratio, although the ratio of the year under review is reported subject to FINMA's review, because the SST is filed with the supervisor only after the annual accounts have been closed.

The publication of the SST ratios brought a new element of market discipline into the Swiss insurance market. Analysts, rating agencies and journalists can now compare the solvency of insurers on a common basis, while the companies themselves use high ratios as an argument in their marketing towards brokers and corporate clients. Typical SST ratios of the larger groups have been well above 150 per cent in recent years, while the ratios of individual life insurers have varied more widely with interest rates and the composition of their business.² The disclosure also illustrates the difficulty of comparing the SST with Solvency II, since several groups report both an SST ratio for the Swiss group and Solvency II ratios for their European subsidiaries. The two figures are calculated on different bases.

FINMA's intervention thresholds give the SST ratio its supervisory meaning. If the ratio falls below 100 per cent, the insurer must explain the causes and submit a plan for restoring its capital. Below lower thresholds,

FINMA can impose increasingly intrusive measures, including restrictions on dividends and on new business, and ultimately the withdrawal of the licence.³ This graduated ladder of interventions resembles the ladder between the solvency capital requirement and the minimum capital requirement under Solvency II. It aims to give the supervisor time to act before the policyholders are harmed, since an insurer that is still above zero in the SST typically still has assets exceeding its best-estimate liabilities.

1 Notes

1. FINMA Circular 2016/2 "Disclosure – insurers (public disclosure)", in force since 1 January 2016; first Financial Condition Reports for the 2016 financial year published by 30 April 2017. Dates to be verified; the disclosure rules were partly transferred into the revised AVO-FINMA in 2024. ↩
2. On the range of SST ratios published in Financial Condition Reports of Swiss insurers, see the reports of Baloise, Helvetia, Swiss Life, Zurich, Swiss Re and AXA Switzerland for 2017–2025, and the FINMA annual reports. Figures to be verified. ↩
3. On FINMA's intervention thresholds under the SST (historically graduated at 100%, 80% and 33%) and the corresponding measures, see FINMA's SST circular and the revised AVO provisions of 2024. Thresholds to be verified. ↩

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