

Rationale: scale, cost and technology

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The two companies justified the merger primarily with the advantages of scale. Insurance is a business with high fixed costs for information technology, actuarial and risk management functions, regulatory reporting and investment management. A larger group can spread these costs over a larger volume of premiums and can invest more in the technology that customers and regulators increasingly expect.¹ The parties announced annual pre-tax cost synergies in the order of CHF 350 million, to be realised in full within a few years after completion.²

The second argument concerned capital. A larger and more diversified group can hold less capital relative to its risks, because the risks of different lines of business and different countries partly offset each other. Under the Swiss Solvency Test, which Chapter II describes, diversification across risks reduces the target capital that a group must hold. The merger was therefore expected to release capital that could be returned to shareholders or used for growth.³ The rating agencies took a positive view of the transaction, although they noted the execution risks of a large integration.

The third argument concerned digitalisation and data. Both groups had invested heavily in digital distribution, in the automation of claims handling and in the analysis of customer data. A merged group could consolidate these investments, choose the better of the two systems in each area and develop new applications on a larger base of data. The integration of information technology systems is, however, the most difficult part of any insurance merger.⁴ Experience from earlier mergers in the industry suggests that the integration of policy administration systems, which must manage contracts concluded decades ago under different terms, can take many years.

The merger also had a defensive rationale that the parties did not emphasise publicly but that observers noted. As independent medium-sized groups, Helvetia and Baloise were potential targets for a takeover by

a larger European insurer. The merger created a group large enough to make such a takeover more difficult and anchored its ownership through the stake of Patria Genossenschaft, which had acquired the former Cevian holding in Baloise.⁵ The merger thus kept an important part of Swiss insurance under Swiss control at a time when other sectors of the Swiss financial industry, in particular banking after the takeover of Credit Suisse by UBS in 2023, had been reshaped by crisis.

1 Notes

1. On the economies of scale in insurance and their role in the rationale of the Helvetia–Baloise merger, see the investor presentation of 22 April 2025 and the analyses of financial analysts published after the announcement. To be verified. ↩
2. On the announced cost synergies of the merger (about CHF 350 million per year before tax, at full run rate around 2029), see the investor presentation of 22 April 2025 and later updates of Helvetia Baloise. Figures to be verified. ↩
3. On the diversification effects in the Swiss Solvency Test and their relevance for insurance mergers, see FINMA Circular 2017/3 "SST" and the technical documentation of the SST published by FINMA. Circular number and current status to be verified. ↩
4. On the integration of information technology systems as a principal risk of insurance mergers, see the general literature on post-merger integration in financial services and the risk disclosures in the merger documentation of Helvetia and Baloise. To be verified. ↩
5. On the role of Patria Genossenschaft as anchor shareholder of the merged group and its share of the capital after completion, see the shareholder disclosures of Helvetia Baloise Holding AG. Percentages to be verified. ↩

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