

Reinsurance and Basel

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Reinsurance, the insurance of insurers, is concentrated in Switzerland in Zurich, where Swiss Re has its head office. The connection between Basel and Swiss Re goes back to the foundation of the company in 1863, in which the Basler Handelsbank participated alongside Helvetia and the Schweizerische Kreditanstalt.¹ The founders responded to the same insight that led to the creation of the Basel insurers after the Glarus fire: Swiss primary insurers could not carry large risks alone and needed a domestic reinsurer to spread them more widely.

Swiss Re became one of the two or three largest reinsurers in the world, alongside Munich Re and Hannover Re. Its presence in Zurich made the city the centre of the Swiss reinsurance market, which also includes the Swiss branches and subsidiaries of foreign reinsurers and a number of smaller specialised companies.² Basel has no reinsurer of comparable size. Its insurers nonetheless depend on reinsurance for the protection of their own balance sheets, in particular against natural catastrophes and large industrial losses. The Basel pharmaceutical groups, for their part, buy reinsurance capacity through their captives, which Chapter V describes.

Reinsurance is also relevant for the risks of transport and logistics, which Part H described for the Rhine ports. A large loss in a port, such as a fire in a warehouse holding chemicals or a collision on the Rhine, can exceed the capacity of primary insurers. Marine and cargo insurers therefore cede a significant share of their risks to reinsurers, whose capacity is drawn from the global market.³ The Schweizerhalle fire of 1986, which Part G described, showed how a single event in the Basel region could produce claims across several lines of business and several countries, from property and liability to environmental damage on the Rhine.

Reinsurance has a regulatory dimension as well. Under the Swiss Solvency Test, reinsurance reduces the capital that a primary insurer must hold, provided that the reinsurer is financially sound. FINMA supervises

reinsurers domiciled in Switzerland under a regime that recognises their professional counterparties and therefore imposes fewer consumer protection requirements than those applicable to direct insurers.⁴ The revised Insurance Supervision Act, which entered into force in 2024, introduced further distinctions according to the type of customer, a reform that Chapter II discusses.

1 Notes

1. On the foundation of the Schweizerische Rückversicherungsgesellschaft (Swiss Re) in Zurich in 1863 by Helvetia, the Schweizerische Kreditanstalt and the Basler Handelsbank, see the corporate history of Swiss Re and Part D, Chapter IV. To be verified. ↩
2. On the Swiss reinsurance market and its concentration in Zurich, see the publications of the Swiss Insurance Association and of FINMA on reinsurance companies under its supervision. To be verified. ↩
3. On the reinsurance of marine and cargo risks and the role of the international reinsurance market for large port and logistics losses, see the publications of the International Union of Marine Insurance (IUMI). To be verified. ↩
4. On the supervision of reinsurers under the ISA and the ISO, including the simplified requirements for reinsurers and reinsurance captives, see Articles 35 et seq. ISA and the related provisions of the ISO as revised with effect from 1 January 2024. To be verified. ↩

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