

Swiss insurers and the Basel players

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Swiss insurance groups have played a prominent role in the cross-border wrapper market. Swiss Life operated insurers in Liechtenstein, Luxembourg and Singapore that specialised in private placement business. Baloise, the Basel group whose history Part D and the first chapter of this part examined, has for many years held life insurers in Luxembourg and Liechtenstein that sell unit-linked policies to clients in neighbouring countries. Other Swiss groups followed similar strategies at different times. The place of these units in the group formed by the merger of Baloise and Helvetia, and the decisions of the merged group about its cross-border life insurance business, should be examined against the most recent annual reports.¹

The reason Swiss groups carried on this business through foreign subsidiaries lies in the absence of a European passport for Swiss insurers. Switzerland has concluded an agreement with the European Community on direct non-life insurance, dating from 1989, which allows insurers to establish branches on the basis of mutual recognition. Since life insurance is not covered, Swiss insurers cannot sell life policies across the border into the European Union from Switzerland. A Swiss group that wants to serve policyholders in the EU must therefore act through an insurer established in a member state of the EEA.²

Within Switzerland, Swiss insurers offer unit-linked policies with single premiums and periodic premiums, including policies with internal funds that are managed by Swiss asset managers. For private clients resident in Switzerland, these policies are primarily instruments of pension saving under pillar 3b and of succession planning. Their tax advantages are narrower than those of comparable policies in France or Italy, while the federal stamp duty on single premiums further reduces their attraction. The Swiss market for wrapper products for domestic clients is therefore

smaller than the cross-border market served by Swiss groups through their foreign subsidiaries.

Basel's contribution to this business does not rest only on the insurers. Basel private banks and the Basel offices of the large banks have acted for many years as custodians and asset managers for portfolios held in Luxembourg and Liechtenstein policies. Basel lawyers and trustees with clients in Baden-Württemberg and Alsace advise on the use of policies in German and French planning. Because the statistics do not distinguish by city, the precise share of Basel in the Swiss wrapper business cannot be measured, so any figure would be speculative. What can be said is that the instrument fits the profile of a financial centre that combines insurers, private banks and cross-border advisory work within a short distance of two large neighbouring markets.³

1 Notes

1. On the cross-border life insurance subsidiaries of Swiss insurance groups in Liechtenstein and Luxembourg, see the annual reports of Swiss Life, Baloise and Helvetia. On the merger of Baloise and Helvetia, see chapter I of this part. The current structure of the cross-border life business of the merged group is to be verified. Status to be verified. ↩
2. Agreement between the Swiss Confederation and the European Economic Community on direct insurance other than life assurance of 10 October 1989 (SR 0.961.1). The agreement covers non-life insurance only. To be verified. ↩
3. No official statistics on the share of individual Swiss cities in the cross-border wrapper business are known to the author. The statement is a qualitative assessment based on the structure of the Basel financial centre described in Parts D and E. To be verified. ↩

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