

Tied assets

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A central and specifically Swiss instrument of policyholder protection is the tied assets (*gebundenes Vermögen*). An insurer must hold assets in an amount at least equal to its technical liabilities plus a safety margin and must allocate these assets specifically to secure the claims arising from its insurance contracts.¹ Once recorded in a special register, the tied assets may be disposed of only within the limits set by the law. FINMA's rules prescribe which categories of assets are eligible, how they must be valued and what limits apply to concentrations in individual asset classes and issuers.

The importance of the tied assets lies in the insolvency of the insurer. In the event of bankruptcy, the proceeds of the tied assets are used first to satisfy the claims of the policyholders arising from insurance contracts, before other creditors are paid.² This creates a segregated pool of assets for the benefit of the policyholders, comparable in function to the segregated customer accounts in other areas of financial regulation. The Swiss rules thus combine the risk-based capital requirements of the SST, which aim to prevent insolvency, with a robust mechanism for the protection of policyholders if insolvency nevertheless occurs.

The tied assets regime has been adjusted several times to reflect changes in investment practice. The admission of alternative investments, of infrastructure investments and of mortgages and real estate was the subject of repeated revisions. In occupational pension business, the insurers must maintain a separate tied assets fund and keep a separate operating account for this business, which is linked to the minimum distribution ratio (*Legal Quote*) discussed in chapter IV.³ For the private client business examined in chapter III, the tied assets are an argument often cited in favour of Swiss insurance solutions compared with those of other jurisdictions, alongside comparable regimes for the segregation of policyholder assets in Liechtenstein and Luxembourg.⁴

1 Notes

1. Art. 17 VAG (tied assets: obligation to secure claims under insurance contracts by tied assets); Arts. 68 ff. AVO (as revised) on the composition, valuation and management of the tied assets; FINMA circular on tied assets. To be verified. ↩
2. Art. 54a VAG (priority of insurance claims secured by tied assets in bankruptcy) and the corresponding rules in the Insurance Bankruptcy Ordinance of FINMA (VKV-FINMA). To be verified. ↩
3. On the separate tied assets and operating account for occupational pension business and the minimum distribution ratio of 90% under Art. 37 VAG and Arts. 139 ff. AVO, see chapter IV of this part. To be verified. ↩
4. On the comparison of policyholder protection mechanisms in Switzerland (tied assets), Liechtenstein (Sicherungsvermögen) and Luxembourg (triangle de sécurité, super-privilege of policyholders), see the literature on cross-border life insurance. To be verified. ↩

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