

Insurance-linked securities, captives, pensions and insurance wrappers — overview and summary

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The four chapters that precede this one tell the story of three great Zurich insurance houses and of the supervisory law that grew up around them. This chapter follows the money that flows through insurance into other markets and out of other markets into insurance. Four channels are examined. Insurance-linked securities carry catastrophe and mortality risk from reinsurers to investors who have never written a policy. Captive insurers allow industrial and commercial groups to insure themselves through a regulated company of their own. Occupational pension funds, which Swiss law obliges almost every employer to join, have become the largest pool of domestic institutional capital. Life insurance wrappers, finally, place the investment portfolio of a private client inside an insurance contract, with consequences for succession, creditor protection, tax and reporting that have occupied lawyers in Zurich, Vaduz and Luxembourg for decades.

These channels have a common thread. Each of them converts an insurance technique into a financial one, or a financial need into an insurance form. A catastrophe bond is reinsurance written as a note. A captive is a risk budget written as a balance sheet. A pension fund is a collective savings plan that carries biometric risk. An insurance wrapper is a managed account written as a life policy. In each case the legal classification decides who supervises the arrangement, which investors may participate, how income is taxed and what happens in insolvency. Zurich, where the world's second-largest reinsurer, a leading global primary insurer, a cluster of specialist asset managers and a large community of pension and tax lawyers work within a few kilometres of one another, is one of the few places where all four channels meet.

The chapter proceeds in eight sections. It begins with the origins of catastrophe bonds in the 1990s and with the role that Swiss Re played in

building the market, before describing the cluster of insurance-linked securities managers in Zurich and the canton of Schwyz. The regulation of these managers and their funds under Swiss collective investment law, and the new Swiss regime for insurance special purpose vehicles introduced with the revised Insurance Supervision Act on 1 January 2024, form the third and fourth sections. Captive insurers, the second pillar of the pension system and the insurance wrapper follow. A closing section draws the lines together and asks what the convergence of insurance and capital markets has left in Zurich. The law is stated as at September 2026. Where figures are given for companies or markets, they are the latest published figures that could be verified, with the date to which they refer.

1 Conclusion

This chapter has followed insurance into four neighbouring fields. Insurance-linked securities began in 1997 with a handful of transactions, among them Swiss Re's California earthquake bond. They have grown into a market with more than USD 65 billion of catastrophe bonds outstanding in mid-2026 and alternative reinsurance capital of about USD 136 billion. Swiss Re has been the largest arranger and sponsor since the beginning, and Zurich and Pfäffikon host a group of specialist managers whose histories lead back to Clariden Leu, Credit Suisse, Secquaero and the reinsurance departments of the city. The revised Insurance Supervision Act has given Switzerland its own form of insurance special purpose vehicle since 1 January 2024, while the managers and funds of the sector are regulated under the Financial Institutions Act and the Collective Investment Schemes Act, including the new L-QIF.

Captives form a smaller but stable segment of the Swiss market, consisting mainly of reinsurance captives of large groups. The reform of 2024 relieved captives and insurers of professional policyholders of the tied asset and organisation fund requirements. Switzerland competes in this field with Luxembourg, Guernsey, Ireland and Liechtenstein, each of which has advantages that the Swiss regime cannot fully match, above all the European passport and tax-deferred equalisation reserves.

The second pillar, with assets of more than CHF 1.2 trillion at the end of 2024, is the most important domestic buyer of the products that the Zurich asset management industry develops. Its investment rules are flexible in practice, its supervision has been strengthened since 2012, and its structure has shifted towards collective foundations. The rejection of the BVG reform in 2024 left the statutory conversion rate unchanged and the pressure on returns undiminished.

Insurance wrappers, finally, show both the potential and the risks of combining insurance and private banking. The Swiss Insurance Contract Act protects life insurance claims in favour of family beneficiaries, and Swiss tax law grants privileges to insurance that serves genuine pension purposes. The misuse of wrappers for tax evasion, most visibly in the case of Swiss Life's American business, led to supervisory clarification in 2010 and to criminal enforcement in the United States. Automatic exchange of information has since made concealment through insurance impossible in the countries that participate. Legitimate wrappers remain an instrument of international succession and wealth planning, provided that the insurance element is genuine and the tax treatment has been verified in every country concerned.

2 In five sentences

1. Catastrophe bonds emerged after Hurricane Andrew and the Northridge earthquake, and Swiss Re, which issued its first California earthquake bond in 1997, has been the market's leading arranger and sponsor ever since.
2. Zurich and Pfäffikon host a cluster of FINMA-licensed insurance-linked securities managers, while the revised Insurance Supervision Act has offered a Swiss form of insurance special purpose vehicle since 1 January 2024.
3. Swiss captives, mostly reinsurance captives of large groups, have benefited since 2024 from relief from tied asset and organisation fund requirements, although Luxembourg, Guernsey and Liechtenstein remain strong competitors.
4. The second pillar, with more than CHF 1.2 trillion in assets and investment rules that allow insurance-linked securities as alternative investments, is the largest domestic buyer of the products developed in Zurich, and voters left its conversion rate unchanged in 2024.

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5. Insurance wrappers combine creditor protection, succession planning and tax advantages that are legitimate when the insurance is genuine and tax compliance is verified, while their misuse has been curbed by FINMA's double check, American prosecutions and the automatic exchange of information.

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