

Legacy: the convergence of insurance and capital markets in Zurich

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Each of the four channels described in this chapter has grown from its own roots and operates within its own legal framework. Taken together, they tell a single story about Zurich. For most of the nineteenth and twentieth centuries, insurance and banking in the city were separate worlds that met mainly in the boardrooms of the large companies and in the investment departments of the insurers. The Kreditanstalt helped to found the Rentenanstalt and Swiss Re, as the earlier chapters showed, but the insurers then developed their own culture of actuarial caution and long-term liabilities, while the banks developed theirs of trading, credit and private wealth management. Since the 1990s these worlds have converged.

On the side of the reinsurers, catastrophe bonds and alternative capital have turned part of the reinsurance business into a capital markets business. Swiss Re arranges transactions, sponsors bonds, manages funds and publishes the indices by which the market is measured. On the side of the asset managers, specialist firms that began inside banks, such as the insurance-linked teams of Clariden Leu and Credit Suisse, now operate as independent boutiques. Several of them were founded or staffed by former reinsurance underwriters and actuaries. On the side of the pension system, the largest pool of domestic capital buys catastrophe risk, infrastructure and private equity through managers licensed by FINMA, supervised in its turn by OAK BV and regional authorities. On the side of private wealth, life insurance has become a legal form in which banking assets are held, with consequences for tax, reporting and creditor protection that require insurance, banking and tax lawyers to work together.

The legislator has followed this convergence. The revised Insurance Supervision Act of 2024 created a Swiss form for insurance special purpose vehicles and relieved captives and insurers dealing with professional policyholders of burdens designed for the protection of consumers. The

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collective investment law created the L-QIF in the same year. The pension ordinance has recognised insurance-linked securities as a distinct type of alternative investment and created a separate category for infrastructure. The legislation on automatic exchange of information has treated insurers as reporting financial institutions on a par with banks. Each of these reforms reflects the recognition that a risk or an asset may pass through several legal forms in the course of its life, and that supervision has to follow the economic substance across the boundaries between sectors.

For the financial centre, the convergence offers an advantage that few other cities can match. Zurich has the reinsurers who understand the risks, the managers who package them, the pension funds that buy them, the private banks whose clients hold wrappers, the lawyers and tax advisers who structure the transactions and a supervisor that oversees banks, insurers and asset managers under one roof. Bermuda has more vehicles, London more syndicates and Luxembourg more funds. Zurich has, in one place, the knowledge of both sides of the transaction. Whether that knowledge will translate into more transactions carried out under Swiss law, now that the legal forms exist, is a question for the coming decade.

Compared with Geneva, the difference is marked. Geneva's financial centre, as the companion volume on that city shows, grew around private banking, commodity trading and international organisations. It has neither a global reinsurer nor a comparable cluster of insurance-linked managers. The insurance and capital markets convergence described in this chapter is, within Switzerland, largely a Zurich phenomenon, with outposts in the neighbouring canton of Schwyz and in Basel.

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