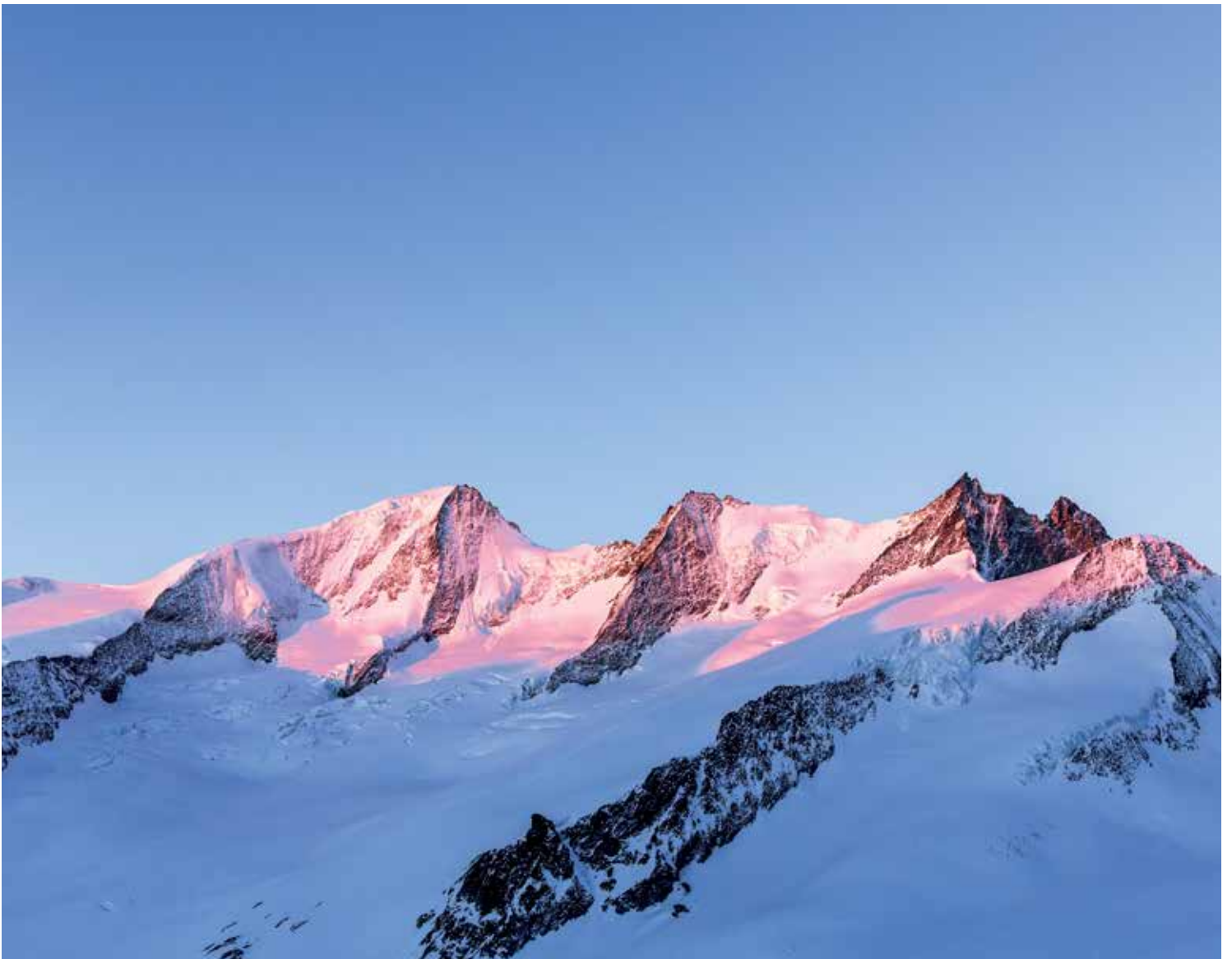




RISK & INSURANCE INSIGHT 2020



A SECURE FUTURE.

AT A GLANCE

KESSLER IS THE LEADING SWISS ENTERPRISE SPECIALIZING IN COMPREHENSIVE RISK, INSURANCE AND PENSION BENEFITS.

WE ADVISE OVER 1,000 MEDIUM-SIZED AND LARGE SWISS COMPANIES FROM THE SERVICE, TRADING AND MANUFACTURING INDUSTRIES, AS WELL AS THE PUBLIC SECTOR.

THANKS TO OUR EXPERTISE IN EACH OF THESE ECONOMIC AREAS, THE DEDICATION OF OUR HIGHLY QUALIFIED STAFF AND OUR LEADING MARKET POSITION, OUR CUSTOMERS CAN BENEFIT FROM THE BEST POSSIBLE SOLUTIONS AND OPTIMIZED RISK COSTS.

THIS ENABLES US TO MAKE A SIGNIFICANT CONTRIBUTION TO THEIR LONG-TERM SUCCESS.

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EDITORIAL



Dear clients, partners, employees and friends of Kessler,

The political and economic environment remained challenging in 2019 and was marked by rising uncertainty worldwide. We are seeing growing polarization and isolation among individual countries. As a relatively small domestic market, the Swiss economy is tightly interwoven with international markets. We are reliant on well-functioning global markets. Switzerland has so far held its own in this environment.

Currently, we are all concerned with the spread of the new coronavirus and its consequences for health and economy. Other major challenges include the bilateral relations with the EU, the negative interest rate environment, the long-term stability of our pension provision and the funding of the healthcare system.

Kessler can look back on a successful year. We achieved a customer retention rate of 97% and continued to grow in our market segment. Our position as the leading Swiss company for risk, insurance and pension consulting is well established. Our clients are guaranteed global support thanks to our position as the Swiss partner of Marsh.

“A secure future.” That is the claim of our family business. It forms the foundation of our ambition: “We contribute significantly to the long-term success of our clients. As a reliable partner, we inspire our clients and open up new perspectives through the safe and successful management of risks.”

We are a committed and motivated team. The dedication of our employees and our expertise in the various business sectors allow us to offer our clients tailored support.

We would like to thank you for the positive and trusting collaboration.

Martin E. Kessler
Chairman of the
Board of Directors

Robert Kessler
Member of the
Board of Directors

Tom Kessler
Managing Partner

Christian Kessler
Managing Partner

INTERVIEW OUR IDENTITY

The world around us is constantly changing and as a consequence, so are the challenges, goals and needs of our clients. Our focus in 2019 was to take a close look at these changes and to hone our identity so that we can respond to them even more specifically and provide our clients with the best possible support.

Why did you develop a new identity?

Christian Kessler: For one thing, Kessler enjoys a high degree of stability among its clients and employees. At the same time, however, the needs of our clients and employees have changed. We wanted to acknowledge these circumstances, which is why we put a special focus on our identity as a company.

Tom Kessler: We wanted to filter out which benefits we provide for our clients and employees and what we are promising them.

What does identity mean to you?

Tom Kessler: Our identity is our DNA. It defines our behavior and our relationships with our clients and with one another. At the same time, our identity is a promise we commit to.

What is the promise Kessler makes to its clients and how do you honor this promise?

Christian Kessler: We strive to contribute significantly to the long-term success of our clients. As a reliable partner, we want to inspire our clients and open up new perspectives through the safe and successful management of risks.

Tom Kessler: In concrete terms, this means that our clients can focus entirely on their business and can rest assured that we develop the best solutions for them – and they will be looked after in the event of a claim.

Christian Kessler: For us, taking a holistic approach to the issues of risk management, insurance and pension benefits is essential for optimizing the costs of risk for our clients in a comprehensive way. To



TOM KESSLER AND CHRISTIAN KESSLER
Managing Partners

ensure that we have an even better understanding of our clients' needs, we have organized the company according to economic sectors.

Tom Kessler: Our leading position in the market enables us to achieve the best results and to actively support our clients in the event of a claim. This can only be achieved through the extraordinary commitment of our employees.

Christian Kessler: Thanks to the stability of the family business and as the Swiss partner of Marsh, our clients benefit from reliable advice – across the world.

What part do values play?

Christian Kessler: Values define the conduct that empowers us to keep our promises. In other words, the qualities that make us who we are: client-driven, reliable and committed. They incorporate the value we create for clients, the contribution of each individual as well as our mutual esteem in the daily interaction with our clients, partners and one another.

Tom Kessler: Being successful together requires not only the commitment of every employee, but also an unwavering client orientation – a principle that has been anchored in our family business since 1915.

WE STRIVE TO
CONTRIBUTE SIGNIFI-
CANTLY TO
THE LONG-TERM
SUCCESS OF OUR CLIENT.



EVERY ECONOMIC SECTOR HAS ITS OWN UNIQUE ISSUES AND CHALLENGES TO OVERCOME – OUR SPECIALIST TEAMS ARE IDEALLY SUITED TO ENSURE THIS HAPPENS.

ANNUAL REPORT

POLITICAL AND ECONOMIC ENVIRONMENT

The geopolitical situation remains unstable. Given the reality of Brexit, the unresolved debt situation and the formation of new governments in several European countries, much is in flux. The global economy is suffering under new tariffs prompted by the trade dispute between the US and China. Switzerland is performing encouragingly well in this international environment. Gross domestic product (GDP) rose by just under 1%, with inflation averaging 0.4% for the year. Unemployment dropped from 2.6 to 2.3%. Even in the wake of parliamentary renewal marked by strong gains for the Green Party, political stability continues to prevail.

The Swiss National Bank charges a negative interest rate of -0.75% on credit balances. The emergency measure, introduced as a temporary solution in early 2015, undermines the principles of a capitalist economy. Negative interest rates are increasingly perceived as a problem for the Swiss economy and are under critical scrutiny. Exchange rates hinge not only on interest rate differences, but also on political influences. The drawbacks of negative interest rates are particularly severe for retirement planning and would have to be weighed against the merits of a weaker exchange rate for the export industry.

Our economy is tightly interwoven with international markets. Foreign trade (exports and imports) of goods and services exceeds our GDP; open access, particularly to European markets, is very important.

The framework agreement with the EU to maintain and expand the bilateral agreements is under negotiation but is still pending. Switzerland is seeking to negotiate improvements in three areas. Whether this is successful remains to be seen.

The adoption of the corporate tax bill was certainly encouraging. Implementing this bill is important for Switzerland as a business location in relation to the OECD as well as in international tax competition, and provides legal certainty for multinational companies.

SWISS PENSION SYSTEM

One cause for concern is the reform backlog in the pension system. Demographic trends and persistently low interest rates will continue for the foreseeable future, necessitating rapid and substantial

THE ADOPTION OF THE CORPORATE TAX BILL WAS CERTAINLY ENCOURAGING.

adjustments to the Swiss pension system. The redistribution in the 2nd pillar to the detriment of active policyholders amounts to CHF 5 billion to 7 billion annually, which is equivalent to nearly half of the return on BVG capital of roughly CHF 1,000 billion. Or to put it another way: every contributor will forgo from their account an amount equal to their annual cell phone bill. This runs directly counter to the principles of the BVG from 1985.

We should depoliticize the situation and link retirement age to rising life expectancy, and align the level of pensions to realistic market returns. Following the rejection of the major “Old-Age Provision 2020” project, the new bill to stabilize the OASI (AHV 21) is currently being debated in parliament. A proposal for the reform of the occupational pension scheme drawn up by the social partners was adopted by

the Federal Council and submitted for consultation shortly before the end of last year. The reduction in the conversion rate to 6% is crucial and undisputed. The supplementary pension for the transition generation based on the pay-as-you-go system is less attractive. Now the younger generation is also taking note. A lively public debate is likely. Nonetheless, it is not going to be possible to solve the reform backlog without making some compromises.

INSURANCE BROKERS

According to the latest figures published by FINMA in December 2019, 17,300 insurance intermediaries are listed in the FINMA register. Some 2,075 of these are legal entities (AG, GmbH, and so on), and 15,225 are natural persons (including sole proprietors). Of the natural persons, 55% are tied intermediaries; that is, agents and insurance representatives. A total of 45% or around 6,850 of these are non-tied intermediaries; in other words, insurance brokers.

The market share of professional brokers for medium and large-scale corporate clients is around 90%. Non-tied or unaffiliated insurance mediation is an established profession, the market is distributed and cutthroat competition is rampant. In addition to the major international competitors, there are also about 40 brokerage companies with more than 20 employees in Switzerland. The Swiss Insurance Brokers Association (SIBA) comprises the 100 leading Swiss insurance brokers and covers over 2,000 employees. The association safeguards the interests of the industry and seeks to ensure an appropriate

THE REDUCTION
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WE FOCUS ON WHAT MATTERS AND
TACKLE PROBLEMS USING A TARGETED APPROACH.

EMPLOYERS AND EMPLOYEES ALIKE SEEK TRANSPARENCY AND ARE IN NEED OF SUPPORT.

regulatory framework for the activities of insurance brokers in the future.

REGULATORY FRAMEWORK

The new Financial Services Act (FinSA) comes into force at the beginning of 2020 and is designed to boost consumer protection with regard to the sale of investment products. The insurance industry is exempt from FinSA. However, necessary amendments will have to be incorporated into the insurance laws (VAG, VVG, BVG, KVG, and so forth).

The Federal Department of Finance (FDF) is working on the dispatch for the partial revision of the Insurance Supervision Act (ISA). The focus is on regulations for qualified life insurance policies, stronger abuse supervision in insurance mediation with the corresponding tools and resources for FINMA and

an obligation to provide further training. SIBA is actively involved, and a dispatch is expected in Q2 2020.

The pension fund association (ASIP), together with PK-Netz, which has close ties to the trade unions and the Federal Social Insurance Office (BSV), are questioning whether the activities of insurance brokers in the 2nd pillar are genuinely justifiable and in the interests of the insured. The demand is that insurance brokers should not be compensated by the commissions of collective foundations and life insurers, but instead on a cost basis by the employer.

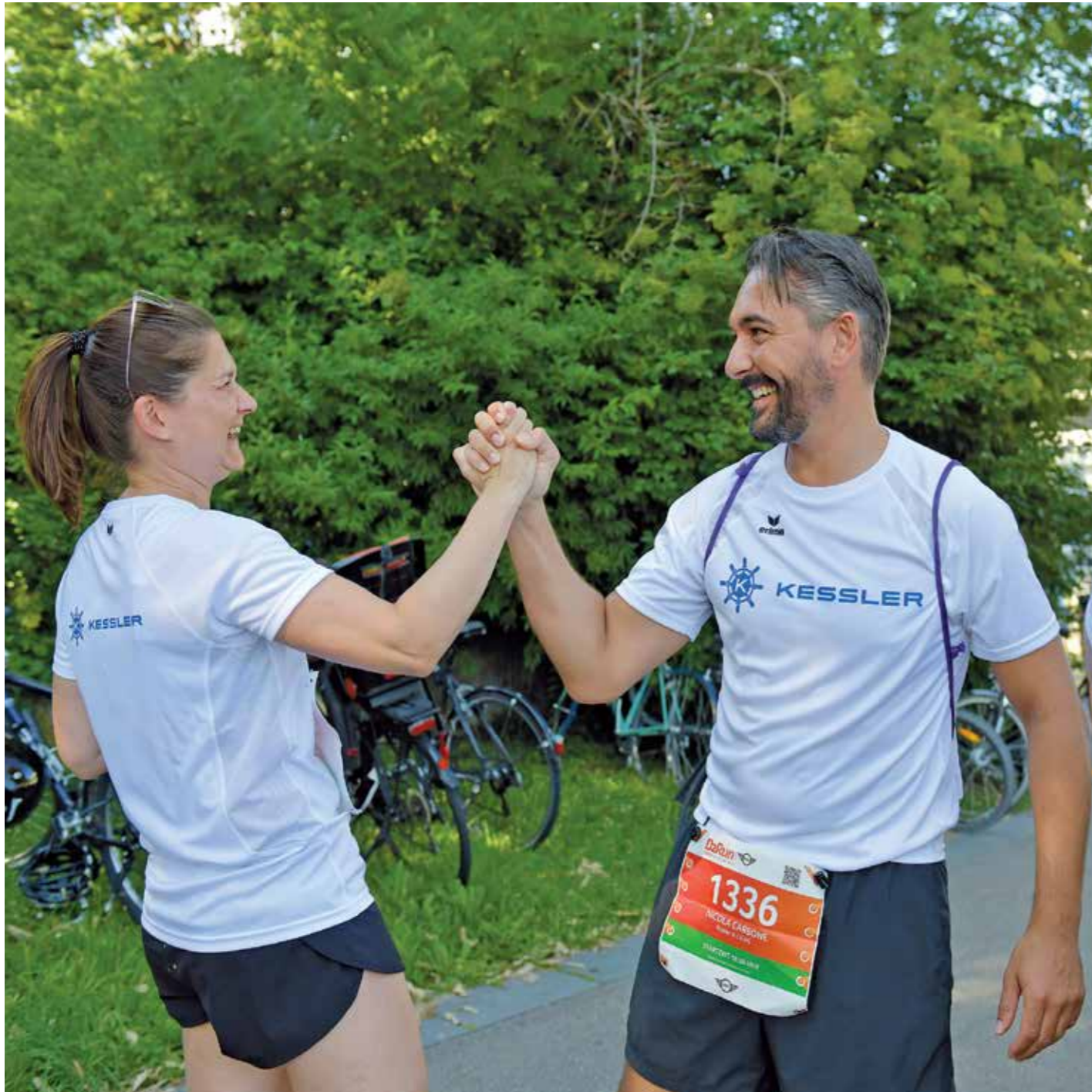
The need for impartial advice in the deregulated market has grown steadily over the last 25 years. Employers and employees alike seek transparency and are in need of support.

Competition has forced life insurers and independent collective foundations to make benefits more flexible and reduce risk premiums and administrative costs. Professional insurance brokers help promote innovation. If their services were not meeting a clear need, they simply would not exist in their present form.

The transparency of compensation is important and regulated by law (Article 48k, para. 2, BVV2). The broker is obliged to the client (employer and employee) and must provide information on the type and origin of the compensation at the time of the first



EVERY CUSTOMER HAS THEIR OWN SPECIFIC REQUIREMENTS – WE TAILOR OUR ADVISORY SERVICES TO THE SITUATION AT HAND.



WE WORK TOGETHER WITH
OUR CUSTOMERS TO WRITE SUCCESS STORIES.

ALL SERVICES FROM A SINGLE SOURCE

Insurance broking: formulation of a risk and insurance policy, optimum placement of tailored insurance solutions, optimization of pension benefits solutions, legal advice

Additional services on a project basis: Enterprise Risk Management, Business Resilience, Alternative Risk Financing, HR Risk Management, M&A transaction-related services

Management and administration: pension fund administration, Captive management

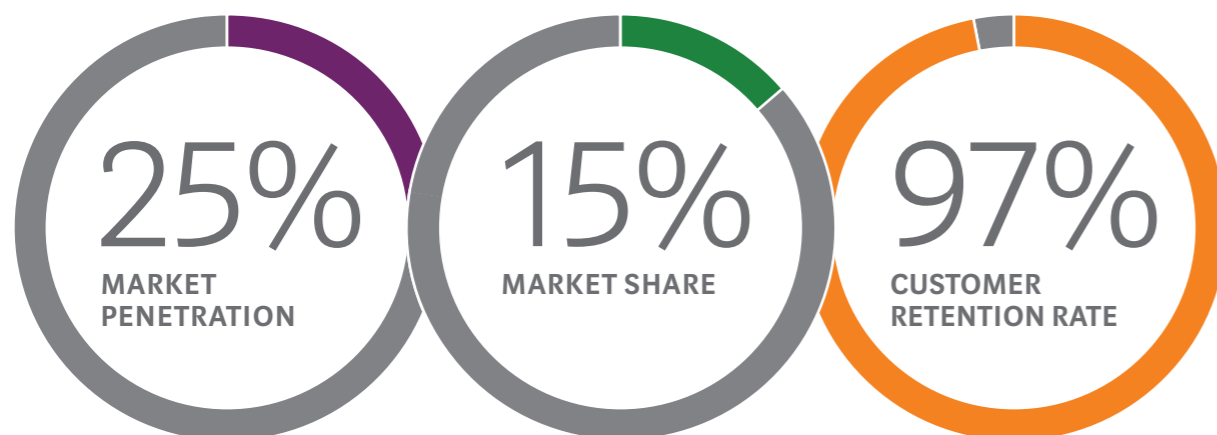
Other services: analysis of insurance portfolios, ClaimsExcellence, Kessler Academy

client contact. It is mandatory that a written agreement on compensation is concluded.

At the beginning of May 2019, the health commission of the National Council announced that it saw no need for legislative measures in view of the existing clear regulations at ordinance level. Surprisingly, the matter was then “smuggled into” the dispatch on an OASI revision, “Modernization of the supervision of OASI,” among amendments to other decrees, without consulting and seeking the views of the companies concerned (mainly SMEs), brokers and insurers. And to be clear, this is a bill that aims

to give the Federal Council more powers in the BVG and restrict the freedom of choice of the employers and employees concerned. Occupational pension provision in Switzerland is a matter of parity between employers and employees, and any transfer of more regulatory competence to the Federal Council would constitute an infringement of the system.

SIBA is committed to freedom of contract and choice for SMEs. Prohibitions are neither expedient nor cost-effective. The services and compensation, in other words, whether commission, fee or a combination of both, should continue to be freely selectable



Our clients include around 1,250 of the 4,500 leading Swiss private companies and 500 public sector institutions.

Measured in terms of revenue from brokerage and fees, we have a market share of around 15% in this segment.

Our client retention rate has remained at around 97% for over ten years.

between client and broker. Depending on the situation and the service, it makes sense to have a variety of models.

An intervention of this magnitude is incompatible with the economic freedom guaranteed by the Swiss constitution and violates the country's competition law. SIBA is supported in its liberal economic interests by the Swiss Employers' Association (SAV), the Swiss Trade Association (sgv) (which represents the interests of Swiss SMEs) and the Swiss Insurance Association (SIA).

CLIENTS AND SERVICES

Our client promise reads: "With Kessler by your side, you can focus entirely on your business. You can rest assured that we develop the best solutions for you and the risks you face – and you will be looked after in the event of a claim." All this is safeguarded by our qualified employees, reliable and tailored advice and our desire to build lasting relationships. Thanks to our expertise in each of the economic sectors, the dedication of our skilled staff and our leading market position, our clients can benefit from the best possible solutions and optimized cost of risk.

This enables us to make a significant contribution to their long-term success.

We provide comprehensive consulting services in the areas of risk management, insurance and pension benefits. Our product and market strategy is geared towards providing support for companies with 100 employees or more. These number roughly 4,500 private-sector companies and around 500 public sector organizations in Switzerland. Kessler works with around 1,250 of these 5,000 target clients, which corresponds to a market penetration of 25%.

We have a business relationship with 45 of Switzerland's top 100 companies and with a third of its top 500 companies. We primarily advise medium-sized companies: of these, 850 employ less than 250 employees, 250 have between 250 and 750 and 150 have more than 750.

Our consultancy service begins with a risk, insurance and pension analysis. "Your problem is risk ... not insurance," remarked Henry Marsh, one of the founders of Marsh & McLennan. We conduct a risk dialog with the client. Modern risk management requires an in-depth risk identification and assessment, and optimizes the balance between prevention, insurance and risk acceptance. The objective is to minimize the total cost of risk (TCOR). Using data-based analyses (analytics), we support our clients in the decision-making process and help them optimize their risk financing.

We create together with our clients a company-specific risk and insurance management strategy. Insurance based on the large loss principle is advisable, even if large claims are very unlikely. In accordance with the principle of interest, it is to the company's benefit to bear more frequent, minor losses itself. This provides an incentive to avoid them. We design tailored insurance solutions and place the cover in the insurance market. We advise our clients on an ongoing basis and support them during a loss event.

To keep our clients up to date, we publish the Risk & Insurance Insight, the D&O Message, the Cyber Risk Survey Report and the Market View. Regional events, roundtable discussions and lectures round out the offering. Our Kessler Academy offers corporate decision makers training and education on risk, insurance and pension issues.

WITH KESSLER
BY YOUR SIDE,
YOU CAN FOCUS
ENTIRELY ON
YOUR BUSINESS.

Client satisfaction is the highest priority for our company, for every division and for every single employee. We achieved a customer retention rate of 97%. Given the competitive economic environment, this is a very good result.

CYBER RISK

Increasing dependence on the internet, the growing Internet of Things (IoT) and the new General Data Protection Regulation (EU GDPR) in Europe – and soon in Switzerland too – put cyber risks at the top of the agenda. The WEF Global Risks Report has been underlining the increasing importance of this topic for years. Concerns about cyber risks for Swiss companies even soared to the top of the Allianz Risk Barometer in early 2020.

The “WannaCry” and “NotPetya” malware attacks in May and June of 2017 struck hundreds of thousands of IT networks – including those of global corporations such as Merck, Maersk, FedEx and Mondelez – causing billions in losses within a short period of time. Since then, the attacks have become more frequent and it seems as though the attackers always manage to stay one step ahead of those providing protection. There are cyber risks that we are not even aware of yet. We are always learning. For this reason, there is growing support for a general obligation to report hacker attacks.

The demand for cyber insurance has markedly increased. The number of claims made by our clients has also jumped. Insurers are recognizing the global cumulative effect of these attacks. A large-scale cyber loss event could overwhelm the insurance industry, particularly in view of business interruption risks.

The geopolitical dimension of terrorism and of future cyber warfare is unsettling. National security could be threatened if critical infrastructure is dismantled. Cyber security calls for international solutions and impels both governments and industry in equal measure. The Federal Council is establishing the Cybersecurity Competence Center, but the responsibilities and competences still need to be further clarified.

THERE IS GROWING
SUPPORT FOR A
GENERAL OBLIGATION
TO REPORT HACKER
ATTACKS.



WE ARE COMMITTED TO OUR CUSTOMERS
EVERY SINGLE DAY AND
DEVELOP THE BEST SOLUTIONS FOR THEM.

KESSLER HAS REPRESENTED MARSH IN SWITZERLAND SINCE 1998.

MARSH AND MCLENNAN

Marsh & McLennan (MMC), comprising the four “businesses” Marsh, Guy Carpenter, Mercer, and Oliver Wyman, boast 75,000 employees in more than 130 countries and a turnover of approximately USD 17 billion. MMC is a Fortune 250 company and a worldwide leading consultancy services provider in matters related to risk, strategy and human capital. Integration work on the acquisition of Jardine Lloyd Thomson (JLT) announced in the fall of 2018 is well under way.

Kessler has represented Marsh in Switzerland since 1998. We are working closely with European management and are in various practice groups where we exchange expertise and share new, innovative client solutions. We use uniform IT platforms worldwide. Marsh Global Insight is a vast global source of knowledge regarding risk and insurance. We use the Marsh Network to support the foreign subsidiaries of our multinational clients at the local level. As Swiss partner of the Marsh Network, we

support subsidiaries of foreign companies in Switzerland. We communicate with 75 Marsh offices around the world every day. Thanks to the strength of the Swiss economy abroad, the business volume contributed to the Marsh Network exceeds that of incoming business.

For years, Marsh has reported sustained growth and good operating results. Siegmund Fahrig, CEO of Marsh Continental Europe, serves on our Board of Directors. With his leading position in the Marsh organization and his long-standing experience, he provides valuable support for Kessler’s continued growth.

We work in partnership with Mercer as part of MMB Mercer Marsh Benefits and in other complementary business areas. Internationally active companies benefit from the centralized approach to employee benefits management. With the acquisition of Mercer’s pension fund administration clients, Kessler Benefits has gained international expertise as well as career development opportunities for its employees.

EMPLOYEES

As of the end of 2019, Kessler had 300 employees as well as several apprentices and interns. This corresponds to 275 full-time positions. Sixty percent of our staff work at the company headquarters in Zurich and the new nearby offices on Hegibachstrasse, some 60 employees work in Lausanne, 20 in our new office in Petit-Lancy/Geneva, 15 in Bern and 10 in St. Gallen.



THE MOST IMPORTANT THING IS TO LISTEN TO THE CUSTOMER.

One to three employees work in each of our regional offices in Basel, Lucerne, Neuchâtel, and Vaduz. 180 of our employees are listed in the FINMA register as independent insurance intermediaries.

We use the Balanced Scorecard with the four dimensions of client results and market success, employee skills, effective business processes and financial success for goal setting and performance management at overall company level in our client-facing activities and at individual employee level.

Well-trained, motivated and trustworthy employees are the key to success for every service provider. After all, the commitment and reliability of our employees are the hallmarks of our client-oriented corporate culture. To foster this, we make the most of their potential, provide them with targeted training and development opportunities, and entrust them

with responsibility. Our education and training takes the form of on-the-job training and attending courses both in-house and externally. The program is under the direction of the Kessler Academy and covers the specialist fields of risk management, insurance and occupational benefits. It also incorporates work methodology, information technology, languages, negotiation skills, as well as employee leadership and personal development. More than two thirds of our employees have a higher education qualification.

Our career model enables our top performers to fully leverage and develop their professional skills and opportunities. The strong weighting of performance-related compensation for the industry has proven its worth. The turnover rate stands at 7.7%. With the exception of retirements, there are practically no changes among the 55 members of the executive staff.

INSURERS

Overall, cooperation with insurers in 2019 remained positive. As the market leader, we are recognized for delivering professional services that take the strain off clients and insurance companies. Insurers see their responsibilities as providing underwriting and claims settlement services. Responsibility for developing, supporting and advising medium-sized and larger corporate clients lies with professional insurance brokers. This is a well-established and efficient division of labor that benefits clients.

The incidence of major natural disasters declined

in 2019. According to estimates by the major reinsurers, the global insurance industry will incur insured claims in excess of USD 50 billion (previous year USD 80 billion). In Switzerland, the climate for liability and property insurance continues to be fairly customer friendly. Increases were seen in premiums for executive and professional liability, fraud and cyber risks. The market for accident and health insurance is tough, and daily sickness benefit insurers are consistently restructuring policies that have poor claims histories.

Insurers are also feeling the effects of the challenging market environment. As brokers, we are called on to handle larger claims, which in turn can only be settled properly after some thorny negotiations. Low interest rates and low investment returns are, however, the main sources of concern for insurance companies. Life insurers are increasingly transferring investment risk to policyholders using semiautonomous solutions. AXA withdrew from full BVG coverage at the beginning of 2019. Full BVG coverage is now only offered by five insurers, and generally only for smaller companies and younger workforces.

On the whole, insurers performed well. Creditworthiness is the primary criterion of our placement policy. Our Market Security Committee (MSC) monitors risk carriers, namely insurers and pension foundations. We are working closely with our colleagues at Marsh. The solvency of insurers licensed in Switzerland has been stable.

ON THE WHOLE, INSURERS PERFORMED WELL.

DIGITALIZATION AND IT

The interest group IG B2B for Insurers and Brokers facilitates automated business transactions between brokers and insurers. Practically all major insurers and the majority of brokers use the platform for single sign-on ("BrokerGate"). Other processes are being developed. Sobrado Software AG (majority shareholders are Swiss Life and AXA) specializes in software for the tendering and bid comparison process along with information services.

Kessler was strongly in favor of a cooperation agreement between the two organizations, in which data sovereignty would remain with IG B2B: data must be transferred directly from the broker to the insurer and vice versa and may not be stored with third parties. This cooperation breakthrough was achieved in the year under review.

All major insurers and brokers were involved in

MORE THAN
TWO THIRDS OF OUR
EMPLOYEES HAVE
A HIGHER EDUCATION
QUALIFICATION.



WE FIND A WAY – AND DEVELOP SOLUTIONS
BASED ON THE CUSTOMER AND THEIR NEEDS.

setting up IG B2B's "EcoHub," while Mobiliar and Kessler also acquired a stake in Sobrado.

The backbone of our information technology is the Management Information System (MIS), which includes clients, policies and activity data. The computer-aided calculation of the commission/fee income and services rendered is a key management tool for determining and managing our operating result.

OUTLOOK AND THANKS

"A secure future." That is the claim of our family business. Our position as the leading Swiss company for risk, insurance and pension benefits consulting – in terms of quality and reputation as well as size and earnings – is well established. As the Swiss partner in the worldwide active Marsh Network, we are also firmly anchored globally.

The intense competition in the insurance sector will exert further pressure on margins for insurance companies and brokers. It is essential to harness the benefits of digitalization to make work faster, simpler and more innovative.

We are a highly dedicated and motivated team and well positioned for the future. Thanks to the expertise and experience of our employees and to our innovative strength and market position, we are able to deliver lasting added value for our clients. Our ser-

DESPITE THE
UNCERTAINTIES,
WE CAN LOOK TO
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vices continue to be in demand. Despite the uncertainties, we can look to the future with confidence.

We would like to thank our clients, partners and employees for the positive and trusting collaboration. Everyone has played their part in Kessler's success.

MANAGEMENT SEMINAR MORSCHACH 2019



MANAGEMENT SEMINAR IN MORSCHACH, SEPTEMBER 2019

Once a year, Kessler's executive staff meet for closed-door meeting. In 2019 the meeting took place in Morschach and was dedicated to the topic "Connections."

1 Rolf Wenzl, 2 Tom Kessler, 3 Valérie Scilipoti, 4 Hans-Christian Süß, 5 Beatrix Bock, 6 Robert Kessler, 7 Simon Künzler, 8 Bernard Perritaz, 9 Sandra Müller, 10 Klaus Peretti, 11 Peter Kadar, 12 Sabrina Wicki Hildebrand, 13 Sylvain Zuber, 14 Werner Niederberger, 15 Peter Dürig, 16 Werner Moser, 17 Stefan Leuenberger, 18 Natalie Koch, 19 Silvano di Felice, 20 Samuel Egger, 21 Simon Holtz, 22 Emmanuel Anrig, 23 Yves Krismer, 24 Pascal Schweingruber, 25 Lisa Spaar, 26 Edwin Krebsler, 27 Marijana Pfeiffer, 28 Katja Wodiunig, 29 Christian Peters, 30 Martin Rohrbach, 31 Ronald Flükiger, 32 Markus Singer, 33 Claudio Roa, 34 Helmut Studer, 35 Ziliane Mariotti, 36 Martin E. Kessler, 37 Christian Brinkmann, 38 Mario Vegetti, 39 Pascal Praudisch, 40 Kurt Vogel, 41 Christophe Tribolet, 42 Christian Kessler, 43 Dominik Grond, 44 Kaspar Geilinger, 45 Urs Sommer, 46 Riccardo Tondo, 47 Roy Hildebrand, 48 Douglas Müller, 49 Theo Kocher, 50 André Scheidt, 51 Andreas Stocker, 52 Gerhard Niederhauser, 53 Roger Konrad. Members of the Executive Staff who are not in the picture: Cécile Baptiste.

CUSTOMER FOCUS

“WITH KESSLER BY YOUR SIDE, YOU CAN FOCUS ENTIRELY ON YOUR BUSINESS. YOU CAN REST ASSURED THAT WE DEVELOP THE BEST SOLUTIONS FOR YOU AND THE RISKS YOU FACE – AND YOU WILL BE LOOKED AFTER IN THE EVENT OF A CLAIM.”

CHRISTIAN KESSLER AND TOM KESSLER
Managing Partners

We provide comprehensive support in the areas of risk management, insurance and pension benefits.

Our team of specialists draws on their expertise in your industry to develop the best solutions and optimize your cost of risk.

You benefit from reliable advice thanks to the dedication of our employees and the stability of a family business.

Our leading position in the market enables us to achieve the best results for you and to actively support you in the event of a claim.

As the Swiss partner of Marsh, we support you worldwide.

BUSINESS DEVELOPMENT CREATING VALUE BY LISTENING



HELMUT STUDER
Member of the Executive Committee

At first blush, the word “listening” seems to describe something passive. Are we brimming with energy when we’re listening? Probably not. How on earth am I supposed to create value for our clients just by listening? The world is driven by a desire to send messages. Twitter, Instagram, posts, selfies: what they have in common is keeping me in send mode rather than receive mode. But who is going to see all these messages if everyone is just sending them?

SEEING THROUGH THE EYES OF THE CLIENT

The Dalai Lama says: “When you talk, you are only repeating what you already know. But when you listen, you may learn something new.” I believe that

listening attentively to the concerns of my clients is one of the hallmarks of a professional client consultation. Not the issues involving risk and insurance – what interests me most are the company’s annual goals or my contact person’s personal aspirations. By actively listening, I find out what’s really relevant from the client’s perspective. And with this insight, I can align our services as an insurance broker with the client’s objectives. The word “align” is the perfect description.

Alignment can only happen if I listen and take things in first. And ask questions. After all, our contact persons understand the challenges and goals of their companies better than I do. The deeper I delve into these unfamiliar issues, the easier it is for me to identify which of our multifaceted services we can offer our clients to help them achieve their goals. This brings us to value creation through listening. Over the past year, my colleagues in the teams have been focusing even more intently on listening. And this year, we’re offering further training for the client areas under external management. This will help us boost our value creation even more. By listening attentively – so we understand our clients even better.

INTERNATIONAL A YEAR OF ENRICHMENT



ROGER KONRAD
Member of the Executive Committee

For me, the most enriching experience in 2019 was attending a course on growth and business focus. Experienced lecturers, stimulating case studies and engaging participants from other industries all left a lasting impression. I learned a great deal from it:

- People should build on what works and figure out what doesn't work. It sounds so simple, but do we actually do it?
- Growth should be achieved not only in large markets, but first and foremost in markets that are profitable.
- Healthy growth is better achieved by going deep than by going wide.
- The process of growth consists of 10 percent strategy and 90 percent execution.

- Success comes to those who put their trust in the right people to implement their new strategy – and then allow them as much leeway as possible, and even a blank check. One of the lecturers who ought to know stated that this strategy worked for him 70 percent of the time.

GLOBAL CONVERGENCE

Across the world, more than 75,000 people work for Marsh & McLennan. In Switzerland, too, there are over 500 of us working together to provide support for our clients in all risk-related issues. In the future, Marsh, Mercer, Guy Carpenter, and Oliver Wyman will cooperate more closely and reap mutual benefits from each other's expertise and market access. That means people will be hearing more from us as a globally united full-service provider with comprehensive end-to-end solutions covering all aspects of risk and insurance. On the whole, we are living in turbulent times and the world is undergoing rapid change. This fact is also reflected in the Fortune 1000, the annual list of the world's top-selling companies. In 1973, only 35% of the companies were newly listed, but by 2013, this figure had already soared to 70%. The working world, too, is evolving at a breakneck pace. In this context, Mercer offers innovative concepts that are developed jointly with clients. Together with Guy Carpenter, we can also realize large placements with high capacity requirements in the reinsurance market in a way that is creative and complementary. This is yet another interesting approach in an insurance market marked by rising premiums and diminishing capacities.

SPECIAL RISKS THINGS ARE GETTING TOUGHER



PASCAL SCHWEINGRUBER
Member of the Executive Committee

The situation on the financial lines insurance market is complicated. The leading providers of D&O, cyber and financial loss insurance have been in the red for years. Many countries have seen a marked increase in the number and amount of claims. This has had an impact on all globally active insurers and reinsurers.

THE SOFT MARKET ENDED IN 2019

Generally speaking, competition in financial lines insurance is working very well and there are virtually no restrictions. Long periods of soft market conditions are typical when all participants pursue a growth strategy. If one participant changes strategy, the vacuum is immediately absorbed. As independent brokers, we too play a part in this. After all, we

exploit the prevailing market conditions for the benefit of our clients without compromise, so that every insurer would do well to protect its portfolio. Buyers considering contract renewal are offered broader coverage, discounts or both to sweeten the deal. This downward spiral invariably hits rock bottom. The soft market lasted from 2004 to 2019. But are we already facing a hard market?

TODAY'S MARKETPLACE

Some insurers have instructed their underwriters to impose an additional premium on every policy or not to renew it. This is problematic for all market participants, though by no means uncharacteristic for the insurance industry. That's because an insurer's senior management has two primary strategic options: grow or restructure. For growth, the management makes more capital available; for restructuring, it withdraws capital.

In my estimation, we are not yet on the verge of hitting rock bottom in Switzerland. Discussions with decision-makers among insurers indicate to me that there is still a degree of differentiation in underwriting. The best strategy for renewing big or complex risks continues to be thorough preparation prior to discussions with the underwriter and delivering sound arguments for successful risk management. The underwriter needs this information if he or she intends to accept a complex risk and in turn has to explain the reasons for his or her actions to their senior management.

FRENCH-SPEAKING SWITZERLAND EVEN GREATER CLIENT PROXIMITY



BERNARD PERRITAZ
Member of the Executive Committee

Since 2020, Kessler has had a new organization in French-speaking Switzerland. It might not be a revolution, but it certainly is a big change. We now have specialized teams that are structured according to the business sectors of our clients. The continuous growth in recent years has facilitated these changes, which are only possible once the business reaches a certain size. Kessler Zurich has been structured accordingly for several decades. This allows us to expand our proximity to clients in line with our regional proximity. We are active in the following four sectors:

- Manufacturing
- Financial services
- Infrastructure and energy
- Healthcare and public entities

The manufacturing sector covers all manufacturing activities, including chemicals, pharmaceuticals, life sciences and consumer goods. Financial services also include international service companies, international organizations and sports organizations. The infrastructure and energy sector also comprises construction and transport. The health and public sector encompasses the hotel industry, education, trade and national services.

CONTACT PERSONS REMAIN THE SAME

Many of our employees were already specialized in one economic sector, which made it easier to put the teams together. All the same, there were some concerns about the changes, which is only natural. Our clients will continue to be served by the same contact person after January 1, 2020. The client teams are adapted to the prevailing conditions and developments. The growth in the infrastructure and energy sector, for instance, means that a new client executive needs to be recruited. Industry specialization is reflected in the job profile. One more example: two of our consultants who previously worked in liability law will soon begin postgraduate training in their areas of expertise, one in construction law, the other in health law.

I am looking forward to seeing how this develops together with our teams and to sharing the benefits with our clients.

HEALTH & BENEFITS CREATING CLARITY AND TRUST



STEFAN LEUENBERGER
Member of the Executive Committee

I was delighted to take over responsibility for the business area Health & Benefits, HR Risk Management from Douglas Müller on January 1, 2020. For many years, his deep commitment has had a profound impact on consulting services in the areas of pension benefits, accident and health insurance and human resources risk management. His early retirement at the end of last year marks his departure for new shores. I would like to thank Douglas Müller for his long-standing cooperation and support and wish him all the best. I am looking forward to my new tasks, to working with motivated teams and providing advice and support to our clients.

SOLVING PROBLEMS WITH CONFIDENCE

As in 2017 and 2018, the Credit Suisse Worry Barometer for 2019 ranked retirement provision as the number one concern among the Swiss population. The topics of health and health insurance occupy second place. Businesses are faced with rising employee absenteeism, escalating insurance and pension costs and a high incidence of impending retirements. Declining conversion rates and planned amendments to legislation relating to occupational pensions are sources of concern for employees. In a tough market environment, evaluating pension and insurance solutions becomes a major challenge. With analyses, ideas and bargaining power, we guide and support our clients through the complex issues and help them find solutions to their problems. Kessler Academy's training events equip decision makers with knowledge and facilitate communication in peer groups. We work closely with employer and employee representatives when providing advice about occupational pensions. With care and attention, we monitor the changeover from pension fund solutions and support our clients with communication. Regular employee orientation and preretirement preparation seminars help employees make important decisions. This creates clarity and trust. We hope that through our commitment, we can do our part to alleviate worries and concerns.

PENSION FUND MANAGEMENT DIGITALIZATION WITH PEOPLE IN FOCUS



NATALIE KOCH
Director Kessler Benefits Inc.

In 2019, the number of pension funds continued to decline. Nonetheless, the managed autonomous and semiautonomous pension funds are substantial in size. This leads me to the conclusion that digitalization is becoming increasingly important. After all, it satisfies two requirements: process automation and the constant availability of information through simple, efficient communication channels.

But neither digitalization nor automating specific processes can serve as a substitute for human interaction. After all, we work with people of all ages, who, depending on which generation they belong to, have limited – if any – affinity for digital solutions. This means that contact by phone or face-to-face consultations are still the rule rather than the exception. In

addition, retirement or dealing with a disability or a death are major events in the life of an insured person – events in which human interaction is important.

Certifying administrative processes has become a necessity that, in my opinion, is a function of the size of the company. Compliance officers are now monitoring the BVG processes as well. There is a particularly heightened awareness of current issues such as the GDPR and the Data Protection Act. As in 2019, data protection will continue to demand our attention in 2020.

INSURED KNOW MORE ABOUT PENSION BENEFITS

Conversations with our insureds show that they are better informed about their pension benefits. The need to respond to their concerns in greater detail is now the norm. In recent years, policymakers have been taking a closer look at occupational pension plans. The rising demand for information on the part of our clients and policyholders is a reflection of this trend.

Volatile markets are also fueling the media's interest in the 2nd pillar. This can be seen in the excellent investment performance of the pension funds in 2019.

For Kessler Benefits, 2020 is a year of continuing to analyze processes and respond to the changes in legislation, the needs of different generations and the varying pension fund sizes so that we can offer the best possible services: modern and digital, but with people in focus.

RISK CONSULTING AGILE SUPPLY CHAIN MANAGEMENT



SIMON KÜNZLER
Director Kessler Consulting Inc.

The global economy is intricately interconnected. This will continue to be the case for the foreseeable future despite a rise in protectionism and nationalist tendencies. The trade restrictions between China and the US are proof that agile logistics chains can sidestep these barriers, albeit at additional cost. The continuous ability to deliver is not the main factor of this risk. The increased costs are offset by greater efficiency, which guarantees competitiveness. This is ambitious, yet achievable. Things become more complicated when unexpected events arise, such as when fires, natural disasters, pandemics or cyber attacks lead to the destruction of production facilities or the

loss of a single-source supplier. Without alternatives, the supply chain is abruptly interrupted over a long period of time, putting competitiveness at risk.

CLIMATE-RELATED MEASURES ARE REQUIRED

In 2019, our risk consulting activities placed an increasing focus on supply chain risk management, particularly for industrial companies. How can a company ensure business continuity in the event of a rare but serious event? The WEF Report 2020 attests to the growing significance of climate issues. Every company needs to consider what this climate-related vulnerability means for its supply chain and what measures it needs to take.

My team specializes in shedding light on the complexity of a company's supply chain from a holistic and business management perspective. We point out risk-related factors in a simplified way and isolate the sticking points. Using this as a basis, we develop measures – in particular adjustments in the procurement and production strategy – that safeguard the long-term success of the company. Companies truly appreciate it when we show them the complexity of their own supply chain and develop what-if scenarios during our workshops. Their ears really perk up when we test these scenarios together with them afterwards as part of a crisis management team exercise.

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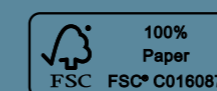
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