



# RISK & INSURANCE INSIGHT 2021



A SECURE FUTURE.

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## PICTURES – THE YEAR AS SEEN BY OUR EMPLOYEES

The year 2020 was extraordinary, a year that we will never forget. We would like to take the opportunity to look back on it again in this year's Risk & Insurance Insight.

The pictures, which are from the personal collections of our employees, define life as we came to know it in 2020: from the strange situation in cities, to hikes in the beautiful countryside, to the beginning of a new future.

## EDITORIAL



Christian Kessler

Robert Kessler

Martin E. Kessler

Tom Kessler

Dear clients, partners, employees and friends of Kessler,

The rapid spread of the novel coronavirus put the world on hold and snatched away much that we had taken for granted as our private and professional lives were massively curtailed. However, these restrictions also gave us space to reflect on what really matters most in life.

The Swiss economy held up well by international comparison thanks to swift action in the form of liquidity support and furlough pay. The health and economic uncertainties remain high. However, hopes that vaccines will soon be available in sufficient quantities provide grounds for cautious optimism.

Like many of our clients, we have been very busy grappling with questions of how to mitigate the consequences of the pandemic and what it means for insurance cover. Major natural disasters, claims payments resulting from the pandemic, and not least, the persistent uncertainties have together brought about a substantial hardening of the insurance markets. Through the dedication and hard work of our employees, we have been here for our clients in these difficult times as a reliable partner for risk management, insurance and pension benefits.

We would like to thank you for the fruitful cooperation grounded in trust.

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

## POSITIVE OUTCOME AFTER A CHALLENGING YEAR

The year 2020 was not easy. The coronavirus pandemic kept the world on tenterhooks and hit society and the economy hard. The impact of the pandemic also left its mark on Kessler – our day-to-day lives have been characterized by working from home, intensive work with clients, tough insurance markets and the need for a high degree of flexibility. Thanks to the commitment shown by our employees, we maintained our proximity to our customers and can look back on a positive outcome overall. Managing Partners Christian Kessler and Tom Kessler review 2020 together.

The year 2020 will go down in history as the year of the coronavirus. As Managing Partners, what was your experience of the virus and its implications?

Tom Kessler: The first case of COVID-19 was confirmed in Switzerland on February 25, and events then started to unfold dramatically. Three days later, the Federal Council declared the status in Switzerland an “extraordinary situation” under the Epidemics Act. Our company established a working group consisting of Logistics, HR, IT and Communications

and met almost daily in the beginning to assess the situation.

Christian Kessler: The switch to working from home was a big step. The daily work routine we had become familiar with became a thing of the past. We had to reorganize ourselves within a very short space of time. Thanks to our solid IT infrastructure, we were able to move quickly to implement working from home. Nevertheless, the changeover was challenging, also because some of our employees have children and a spouse who also works, and their daily schedule now had to include homeschooling.

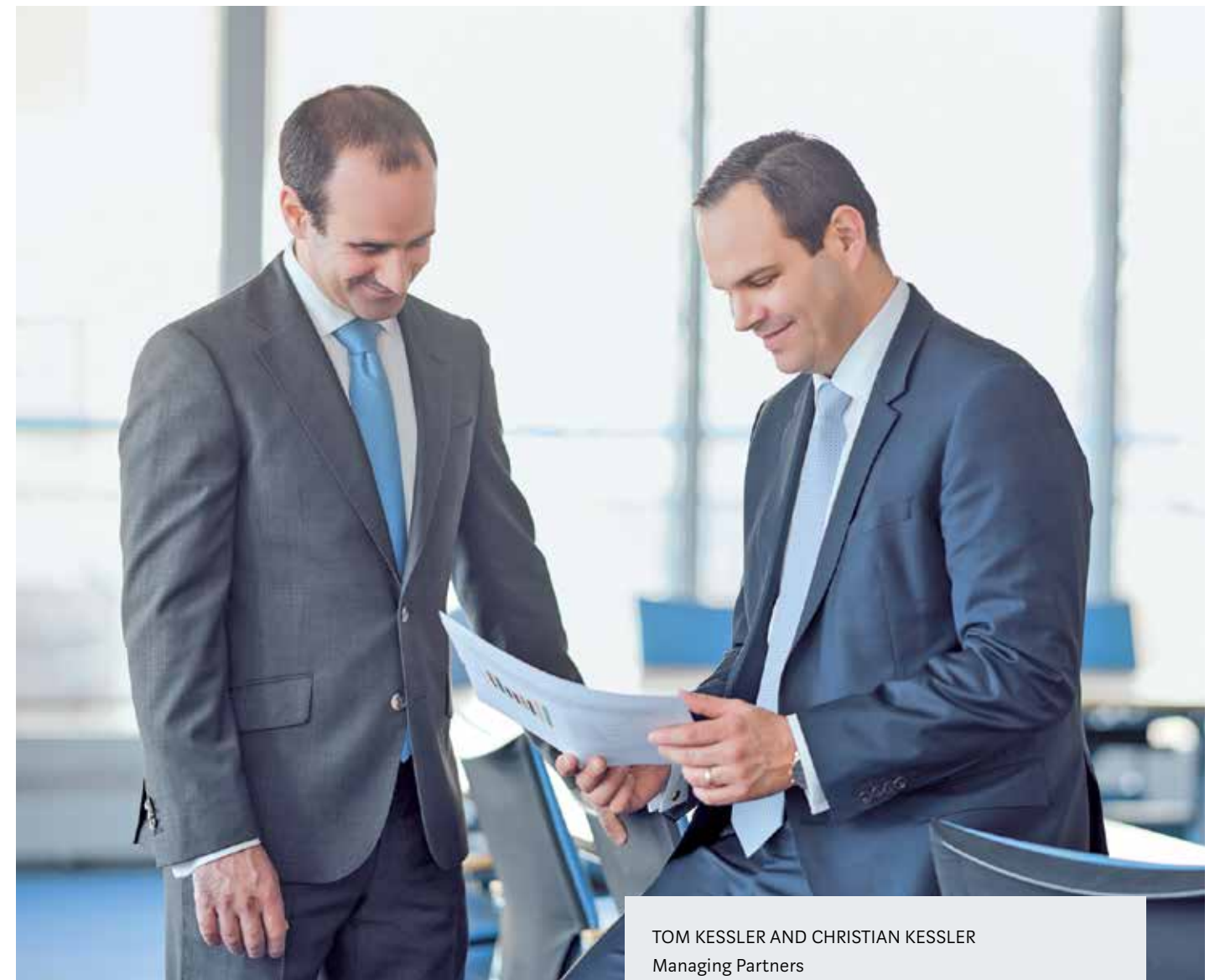
Tom Kessler: One thing that I found very encouraging at that time was the sense of solidarity within our company. The teams got organized and motivated and everyone helped each other. We pulled together and stood by each other because we had more than enough work.

Christian Kessler: That’s true. While we still didn’t have all of the answers to the many questions about COVID-19, we wanted to talk to our clients right away. How were the employees doing? Which busi-

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“THANKS TO OUR SOLID  
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TOM KESSLER AND CHRISTIAN KESSLER  
Managing Partners

nesses would have to close? Was the government aid working? What sort of insurance would help in the current situation? We were involved in intensive internal discussions and the specialists provided the answers.

**What impact has COVID-19 had on clients and the insurance market?**

Tom Kessler: The challenge arose primarily in the healthcare segment, where we were only able to avert a catastrophe thanks to the huge commitment shown by medical and nursing staff. This was more of a concern than their financing via governmental social or private insurers. During the first phase of the healthcare crisis, we ourselves noticed a particular need for additional advice on furlough pay under

the unemployment insurance scheme and collective accident and health insurance such as daily sickness benefits insurance.

One major issue for our occupational pension clients was the drastic slump on the stock markets in March 2020, but this was fortunately followed by an unexpectedly rapid recovery. The payment of pension fund premiums was another big concern. The temporary relaxation of the regulations governing the use of employers’ contribution reserves, however, went some way towards alleviating this problem.

Christian Kessler: In underwriting terms, the main focus was on the economic losses suffered by our clients as a result of the measures taken to combat the spread of the virus. Four insurance products were

on the radar: credit insurance, business interruption insurance, event cancellation insurance and travel insurance.

Tom Kessler: Credit insurers were concerned about the looming recession, with another wave of insolvencies already on the cards after the financial crisis. We had clients whose policies were due for renewal in the middle of the year, which presented us with major challenges. Looking back, we know that the Swiss model, based on furlough pay and instant loans granted with minimal red tape, has actually reduced the number of insolvencies overall.

Christian Kessler: Among others, the hospitality industry, the hotel industry and the entertainment industry have been particularly hard hit by the lockdown. One thing these industries have in common is that they welcome guests and have to protect their

health. In the event of an epidemic, their operating license can be withdrawn by the authorities. Up until the outbreak of the COVID-19 pandemic, it was possible to insure this risk, along with its cost-related implications. In general, however, pandemic events were excluded. Making a distinction between an epidemic and a pandemic and the extent to which insurance coverage is available was not always straightforward, also because insurers differed in their assessment of coverage. The extent to which the COVID-19 event is covered or not depends on the individual insurance policy.

Tom Kessler: Coverage for event cancellation insurance was much clearer. These policies pay the agreed costs if an event cannot take place due to a defined event. Up until the COVID-19 pandemic, an event cancellation due to communicable diseases was classed as an insured event, with only a few exceptions. These insurance policies were already relatively expensive at that time, meaning that they were not very common, except for major events such as sporting or entertainment events.

Christian Kessler: As far as travel insurance is concerned, insurers showed a lot of goodwill to begin with and often covered cancellation costs. Some insurers, however, apply certain restrictions in cases involving epidemics. And since the outbreak of the COVID-19 pandemic, insurers have increasingly been trying to exclude this risk. So it is important to assess each and every case individually.

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#### What conclusions can you draw for Kessler looking back on the coronavirus year of 2020?

Tom Kessler: We can count ourselves lucky in Switzerland: our healthy financial budget, the rapid liquidity support provided and the tried-and-tested instrument of furlough pay have averted worse damage to the Swiss economy for the time being. We nevertheless observed a hardening of the markets in almost all lines of insurance this year, doubtlessly also driven by the sustained economic uncertainty in connection with the pandemic. So it was a very intense year for all of us, and our employees had a lot of work on their hands. But our spirits within the company remained high – perhaps precisely because of the crisis? Everyone could count on each other, and our clients were able to rely on us.

Christian Kessler: Our family business has continued to report successful performance in this challenging year. The fact that we invested in paperless office operations a little over five years ago and digitalized our incoming mail certainly helped us in this regard. This meant that we had the technical capabilities to keep all services running smoothly from day one, despite employees working from home. Another encouraging aspect is the progress we made with many of our strategic initiatives in 2020. I would like to mention two highlights: first, the acquisition of City Broker in Bern was a huge step forward and the outcome is great to see. And second, we are delighted to have received so much positive client feedback for the newly developed digital checklist for risk and

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insurance. This will allow us to take an important step forward in strategic risk consulting for our clients.

Let me leave you with one more thought for 2021: health-related and economic uncertainties will continue to accompany us. We have already heard of mutations of the virus, especially the new B117 variant that is spreading more quickly. I think the most important thing now is to ensure that the vaccination of the population is a success across the globe, and that the vaccinations also provide reliable protection against the virus mutations.





“SENSIBLE”

## ANNUAL REPORT

The year 2020 was characterized by the outbreak of the novel coronavirus COVID-19. The virus originated in China and spread very rapidly throughout our globalized, networked world. This prompted the World Health Organization (WHO) to officially declare the epidemic a pandemic as early as mid-March. To prevent the uncontrolled spread of the virus, governments were forced to impose huge restrictions on people’s public and private lives. Social and economic life in a large number of countries was more or less shut down as lockdowns were implemented. Despite large-scale countermeasures taken by governments, this triggered a major economic crisis with rising levels of unemployment.

Switzerland did not escape this development unscathed. According to the Swiss Federal Office of Public Health, around 5% of the population tested positive for the virus in 2020 and more than 7,000 infected people died. At the beginning of the crisis, the Federal Council used its emergency powers to rule. Rapid liquidity support and the tried-and-tested furlough scheme kept the economic downturn in check. After coping rather well with the first wave of the virus, which involved an eight-week lockdown, we are now in the midst of a dramatic and more prolonged second wave. As even more contagious mutations of the virus emerge, the outlook is uncertain, although the rapid development and approval of vaccines can be seen as a ray of hope.

The question of insurance cover caused quite a stir. The approach to business interruption cover taken by Swiss insurers varied considerably, with some making rapid payouts, others paying out 50% “on a voluntary basis” and some refusing to pay out at all. Claims payments were often based on insurance

policies with unclear wording that did not exclude business interruptions resulting from a pandemic explicitly enough. This created a legal gray area, meaning that insurers could be ordered to pay out by the courts.

Apart from life, health and travel insurance, private insurance covering a global pandemic will be very limited and this will be largely event based. As is also the case with nuclear risk insurance, efforts are underway at the federal level to use a public-private partnership involving insurers, policyholders and the state to create pandemic insurance. This is unlikely to be resolved any time soon.

### POLITICAL AND ECONOMIC ENVIRONMENT

The overall environment is marked by greater uncertainty than ever before. Many aspects are in a state of flux with the pandemic, Brexit and debt levels that are continuing to soar. Switzerland has fared rather well in this environment. According to the economic re-



search institutes (the State Secretariat for Economic Affairs SECO and the Swiss Economic Institute KOF), the drop in gross domestic product (GDP) over the course of the year is expected to be lower than expected at around 3.5%.

Unemployment rose from an annual average of 2.3% to 3.1% and stood at 3.5% at the close of the year. Inflation was negative, averaging -0.7% for the year.

The Swiss National Bank charges a negative interest rate of -0.75% on credit balances. The emergency measure, introduced as a temporary solution in 2015, undermines the principles of a capitalist economy. The drawbacks are particularly severe for retirement planning and should be weighed up against the merits of a weaker exchange rate for the export industry.

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“MANY ASPECTS ARE IN A STATE OF FLUX WITH THE PANDEMIC, BREXIT AND DEBT LEVELS THAT ARE CONTINUING TO SOAR.”

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Our economy is tightly interwoven with international markets. Foreign trade (exports and imports) of goods and services exceeds our GDP. Unhindered access to European markets, in particular, is important. The rejection of the federal popular initiative “For moderate immigration (Limitation Initiative),” which called for the termination of the free movement of people with the EU, is a positive development. Now that the outcome of the Brexit negotiations is also known, efforts have to focus on reaching a new framework agreement with the EU on the continuation of the bilateral treaties.

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. Redistribution in the 2nd pillar to the detriment of active policyholders amounts to more than CHF 7 billion annually, which is equivalent to nearly half of the return on the accumulated BVG capital of CHF 1,000 billion. This undermines the principles of a funded scheme that were introduced with the Federal Act on Occupational Old-Age, Survivors' and Invalidity Pension Provision (BVG) back in 1985. The issue is now also of interest to the younger generation, and six youth wings of political parties are united in their fight against redistribution. The aim should be to depoliticize the situation and link retirement age to rising life expectancy, and align the level of pensions to realistic market returns. It is not going to be possible to solve the reform backlog without making some compromises.



“LOOKING FORWARD”



According to the latest figures published by FINMA in December 2020, 17,650 insurance intermediaries are listed in the FINMA register. Some 2,120 of these are legal entities (AG, GmbH and so on) and 15,530 are natural persons (including sole proprietors). Of the natural persons, 55% are tied insurance intermediaries, i.e. agents and insurance representatives. A total of 45% or just under 7,000 are non-tied intermediaries, i.e. insurance brokers.

The market share of professional brokers for medium and large-scale corporate clients is over 90%. Non-tied or unaffiliated insurance consulting is an established profession, the market is distributed and cut-throat competition is rampant. Significant consolidation within the sector has been under way for years now. The two big global competitors are Aon and Willis, and they are currently involved in merger negotiations. In Switzerland, 25 brokerage firms have 20 or more employees, 13 of which have more than 50 employees.

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**“ONE CAUSE FOR CONCERN  
IS THE REFORM BACKLOG  
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The 100 leading Swiss insurance brokers, which account for a total workforce of 2,500, come together in the Swiss Insurance Brokers Association (SIBA). The main aim of the SIBA is to ensure an appropriate regulatory environment for insurance brokerage activities, also going forward. The association sets itself professional standards and is committed to initial and further training

#### REGULATORY FRAMEWORK

The draft bill to stabilize the Old-Age and Survivors' Insurance (OASI 21) is currently being debated in parliament. The bill aims to preserve a financial equilibrium, maintain pension levels and make retirement provision more flexible. It is proposed that value-added tax be increased by 0.7%. The draft bill has been in the hands of the Council of States for over a year now and is making very slow progress.

At the end of November 2020, the Federal Council approved the dispatch on the BVG reform and proposed that the model developed by the social partners (trade unions and employers) be adopted. The reduction in the conversion rate to 6% is crucial and accepted. By contrast, the supplementary pension for the transition generation based on the pay-as-you-go system was extremely controversial during the consultation process. It is astonishing that the Federal Council cannot receive support for this clear, broadly supported opinion and is stubbornly



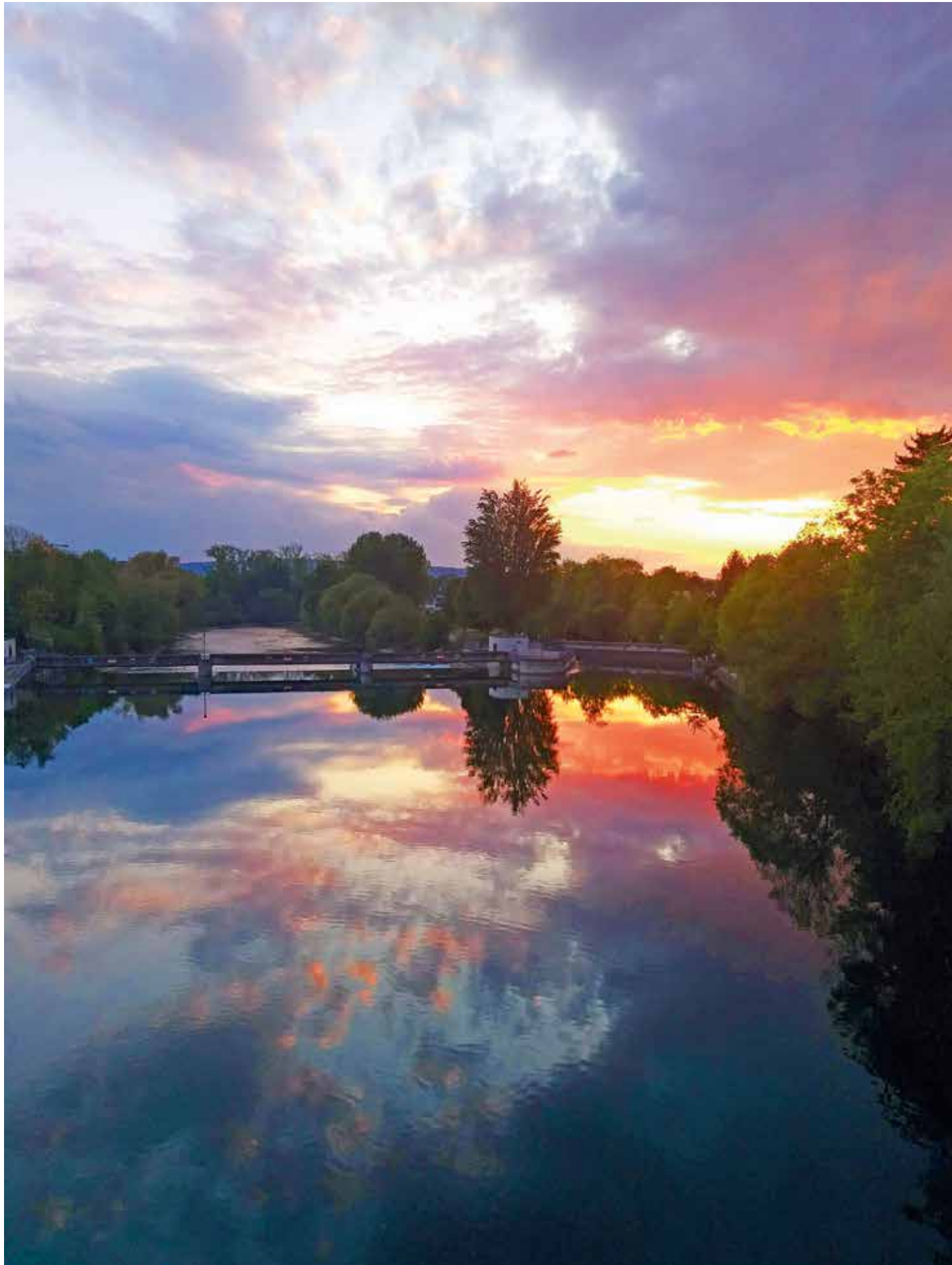
“QUIET”

sticking to granting pension supplements indiscriminately and beyond the transition generation. An intense debate lies ahead.

After 15 years of efforts to revamp the 1908 Insurance Contract Act (ICA), a partial revision was approved by parliament in the summer of 2020. The bill strengthens the rights of insured persons and allows for e-commerce. Key new features include the right of revocation within 14 days, the right of termination for convenience after three years, the waiver of termination by health insurers in supplementary insurance, the extension of the limitation period for claims to five years and a direct right of claim by the injured party in liability insurance. The partial revision will enter into force on January 1, 2022.

The Federal Council approved the dispatch on the partial revision of the Insurance Oversight Act (IOA) to parliament in mid-October 2020. The main thrust is now restructuring legislation and a regulatory and supervisory concept based on customer protection. After the insurance industry was exempted from the Financial Services Act (FinSA), insurance mediation law is also to be amended. This will involve taking the European Insurance Distribution Directive (IDD) into account. The amendments relate to more precise definitions of tied and non-tied insurance intermediaries, more stringent requirements for professional activity (with a good reputation and guarantee as prerequisites), the management of the register, more effective supervision of abuses by FINMA and precise rules on the disclosure of compensation for non-tied insurance inter-





“HOPE”

mediaries. New requirements will include the establishment of an ombudsman's office, the avoidance of conflicts of interest and an obligation to undergo continuous professional development. Special rules apply to qualified life insurance.

At the beginning of 2020, there was a consultation on a new federal act regulating insurance consulting activities, with provisions governing activities of intermediaries in social health insurance and private supplementary health insurance. It should be possible for the Federal Council to declare an industry agreement that provides for a ban on cold calling and sets out provisions governing initial training and limits on compensation for insurance intermediaries to be generally binding. The dispatch to parliament is pending.

#### 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.

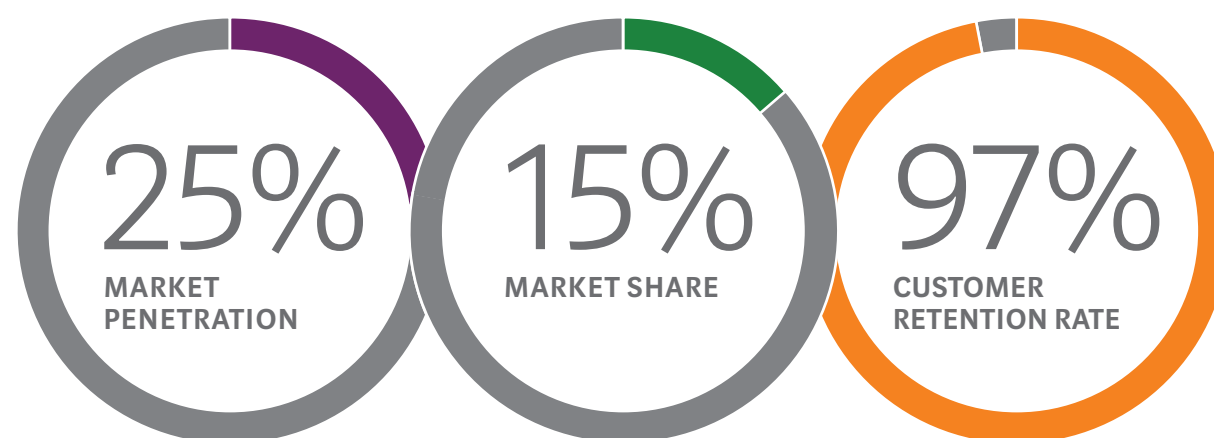
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“THE NEW INTERACTIVE  
DIGITAL CHECKLIST FOR RISK  
AND INSURANCE HAS  
BEEN VERY WELL RECEIVED  
BY OUR CLIENTS.”

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We provide comprehensive consulting services in the areas of risk management, insurance and pension benefits. 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). We help our clients develop a risk and insurance management policy. We design and place tailor-made insurance solutions, provide ongoing advice and support to our clients and assist them in the event of a claim. The new interactive digital checklist for risk and insurance has been very well received by our clients. Our annual report for the yearly meetings with our clients is also becoming increasingly automated and digital. KesslerOnline, which provides access to worldwide risk and insurance data updated on a daily basis, is being expanded further.





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.

Our product and market strategy is geared towards providing comprehensive 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. We estimate our market share in this segment, measured in terms of commission/fee income, to be 15%.

To keep our clients up to date, we publish the Risk & Insurance Insight, the D&O Message, the Cyber Risk & Insurance and the Market View. Our Kessler Academy offers corporate decision makers training and education on risk, insurance and pension issues. Face-to-face events were held less frequently in the year under review, except for the well-attended

"WEF Global Risks Events" in Zurich and Geneva at the end of January, the Kessler Academy CEO, CFO, CRO, a Captive Roundtable and the Aviation Luncheon.

Client satisfaction is the highest priority for our company, for every division and for every single employee. We achieved a customer retention rate of 97.3%. Given the competitive economic environment, this is a very good result.

#### CYBER RISK

Increasing reliance on the internet, new data protection legislation, a growing Internet of Things (IoT) and the trend towards mobile working and working from home mean that cyber risks are without a doubt a central issue. The WEF Global Risks Report has been highlighting the increasing importance of these risks for years now, and cyber risks have actually been the most important issue in Switzerland for the last two years. Boards of directors are also rapidly becoming aware of these risks.

The geopolitical dimension of terrorism and future cyber warfare is unsettling. National security could be threatened if critical infrastructure is dismantled. Cybersecurity calls for international solutions and impels both governments and industry in equal measure.

The "WannaCry" and "NotPetya" malware attacks in May and June of 2017 struck hundreds of thousands of IT networks causing billions in losses within

"NATIONAL SECURITY COULD BE THREATENED IF CRITICAL INFRASTRUCTURE IS DISMANTLED."

a short period of time. A large cyber loss could pose major challenges for the insurance industry, particularly because of the accumulation of business interruption losses. The number of attacks is increasing rapidly and it seems as though the attackers always manage to stay one step ahead of those providing protection. The number of claims made by our clients has also risen sharply. The demand for cyber insurance has markedly increased. Insurance capacity is limited and premiums are on the rise.

#### MARSH & MCLENNAN

Marsh & McLennan Companies (MMC), comprising the four "businesses" Marsh, Guy Carpenter, Mercer and Oliver Wyman, boast 76,000 employees in more than 130 countries and a turnover of approximately USD 17 billion. Marsh is stronger following the integration of Jardine Lloyd Thompson (JLT) and has been reporting sustained organic growth and good





“PATIENCE”

operating results for years now, even in a year dominated by COVID-19.

Kessler has represented Marsh in Switzerland since 1998. We are represented in various practice groups where we exchange expertise and share new, innovative client solutions. Uniform platforms for Multinational Client Services (MCS) are in place worldwide. Multinational corporate groups play a key role in Switzerland, employing around 1.4 million people or a good quarter of the total workforce. 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. Thanks to the strength of the Swiss economy abroad, the business volume contributed to the Marsh Network exceeds that of incoming business.

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.

The collaboration with Mercer showed positive development, with joint client projects and mutual referrals for complementary services. As the Swiss partner of Mercer Marsh Benefits (MMB), we offer global companies a centralized approach to employee benefits management. With the acquisition of Mercer’s pension fund administration clients, Kessler Benefits has gained international expertise.

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“WE USE THE MARSH NETWORK TO SUPPORT THE FOREIGN SUBSIDIARIES OF OUR MULTINATIONAL CLIENTS AT THE LOCAL LEVEL.”

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#### EMPLOYEES

As of the end of 2020, Kessler had 300 employees as well as several apprentices and interns. This corresponds to 275 full-time positions. A good 60% of our staff work in the company headquarters at Hegibachplatz and in the nearby offices on Hegibachstrasse in Zurich; 60 are based in Lausanne, 20 in Petit-Lancy/Geneva, 20 in Bern and 10 in St. Gallen. One to three employees work in each of our regional offices in Basel, Lucerne, Neuchâtel and Vaduz. The FINMA register listed 190 of our employees as independent insurance intermediaries. Due to the COVID-19 pandemic, 2020 was also characterized by a trend towards working from home at Kessler – a concept that went smoothly in the main.



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.

“ALMOST HALF OF THE PEOPLE WE RECRUIT ARE RECOMMENDED BY OUR EXISTING EMPLOYEES.”

The turnover rate stands at 7.8%. With the exception of retirements, there are practically no changes among the 50 members of the executive staff. Almost half of the people we recruit are recommended by our existing employees. More than one-third of candidates contact us directly. Recruitment via external recruitment agencies is on the decline. To further enhance our image as an attractive employer, we are working on the introduction of a digitalized applicant management tool.

INSURERS

Cooperation with insurers is well established, but is characterized by difficult market conditions. 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.

The incidence of major natural disasters increased in 2020. According to estimates by reinsurers, the global insurance industry will incur insured claims in excess of a good USD 80 billion (previous year USD 55 billion). Losses resulting from the coronavirus pandemic are estimated to total over USD 30 billion. While these losses were manageable for life and health insurers, property insurers were hit unexpectedly hard by event cancellations and business interruption cases.



“AT HOME”





“VIEWPOINT”

The insurance market in Switzerland has generally become tougher. After accident and health insurance, we are witnessing capacity and coverage restrictions as well as premium surcharges in the property insurance segment. Considerable increases were seen in premiums for executive and professional liability risks, misappropriation and cyber risks. National risks can still be placed with reasonably moderate adjustments. Multinational clients with poor claims histories are forced to accept much poorer terms when they renew their policies. As brokers, we are increasingly being called on to handle larger claims, which in turn can only be settled properly after some thorny negotiations.

Insurers have solid financial resources thanks to strong previous years and the robust stock market environment, and this area does not pose a problem, despite the foreseeable decline in profits in 2020. 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.

#### ORGANIZATION

We are organized by client segments (industry practices). This structure ensures that our employees have industry-specific expertise. The Business Unit Heads, together with their client executives and

#### 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

brokers, run autonomous brokerage firms for their segment and report directly to a member of the Executive Committee. We are committed to flat hierarchies with clear responsibilities and short decision-making paths.

The task of the risk practices as part of a matrix organization is to keep the company's specialist expertise up to date, promote innovation and create uniform, efficient business processes. We also have a matrix function for client consulting, which ensures a common approach to risk, insurance and pension benefits consulting.

Business development is the responsibility of sales specialists for new clients, with client advisors re-

sponsible for expansion measures with existing clients. We are a sales-driven company and aim to increase our sales capacity further. Marketing and communications have made a key contribution to increasing our visibility and brand recognition. This is thanks to articles in the media and through an increased presence on Google and the social media channel LinkedIn.

In September 2020, we acquired City Versicherungs-Kundendienst AG and City Beratungs-AG in Bern from the German Ecclesia Group, with eight employees and corporate clients primarily in the Bern / Central Plateau area. This is a good strategic fit as our business in this key economic region had developed more slowly than in the rest of Switzerland.



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**“WE ARE COMMITTED  
TO FLAT HIERARCHIES WITH  
CLEAR RESPONSIBILITIES  
AND SHORT DECISION-  
MAKING PATHS.”**

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At the beginning of 2021, our new employees will move to our Bern office in Münchenbuchsee. The integration process is making rapid progress and we are delighted to welcome employees who are such a good cultural fit. With around 30 employees, we are now one of the leading providers of risk, insurance and pension consulting in the greater Bern area. We warmly welcome our new colleagues to our company and look forward to a good working relationship with them.

Kessler Consulting Inc. celebrated its 50th anniversary in 2020. The company was established at 11:11 am on November 11, 1970, to assist Kessler in becoming an independent brokerage firm and to limit liability. Nowadays, Kessler Consulting complements the insurance broking business with professional risk management consulting. The company has established the concept of qualified, integrated risk dia-

logue and has convinced countless companies of its holistic risk radar. The trust shown by the company's clients is testimony to the quality of its services. We are delighted to have reached this milestone.

#### **DIGITALIZATION AND IT**

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

Kessler has a very stable IT platform. For years now, our main servers have been running virtually uninterrupted and without any data loss. We have a well-established IT team consisting of six employees and a number of external specialists.

The interest group IG B2B for Insurers + Brokers facilitates automated business transactions between brokers and insurers. Virtually all major insurers and most brokers use the platform, which is currently being taken to a new level with EcoHub. Sobrado Software AG specializes in the tendering and bid comparison process along with information services and will offer these services via EcoHub in the future. Kessler was 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.



**“SERENITY”**

#### **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 services 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 BASEL 2020



## MANAGEMENT SEMINAR IN BASEL, SEPTEMBER 2020

Once a year, Kessler's executive staff meet for closed-door meeting. In 2020 the meeting took place in Basel (St. Jakob-Park) and was dedicated to the topic "Quo vadis."

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



# 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.

# GERMAN-SPEAKING SWITZERLAND WE ARE GROWING IN THE BERN BUSINESS REGION



HELMUT STUDER  
Member of the Executive Committee

For Kessler, the Bern business region includes the German-speaking areas of the cantons of Valais and Fribourg in addition to the canton of Bern, as well as the canton of Solothurn. Kessler Bern has succeeded in steadily expanding its presence, especially over the last ten years. In September 2020, it received further growth impetus with the acquisition of City Broker.

**INCREASED MARKET PRESENCE**  
Kessler Bern, under the management of Peter Dürig, has significantly increased its market presence and expanded its client base considerably with a motivated and committed team. I am delighted to see how our young colleagues have developed. It's also great to see how our experienced employees are passing

on their knowledge in the mixed teams. This momentum has been given a further boost by the acquisition of City Broker. The transaction has allowed us to significantly increase our business volume and head count again. Around thirty employees are now working in our offices in Münchenbuchsee. This development means that we have been able to manage three units in Bern since the first of January of this year.

**CONTINUITY GUARANTEED**  
Peter Dürig remains Regional Office Head and Head Business Unit Services with his extensive experience. Steve von Gunten has taken over the newly created unit for clients from the Production & Manufacturing, while Werner Moser continues to manage the Pension Benefits unit with a larger team. The former CEO of City Broker, Bruno Annen, and the Head of Pension Consulting at City Broker, Sandra Boucetta, are off to a good start as members of Senior and Executive Staff in our new joint organization in Bern. Continuity in client consulting is a top priority for us. We can ensure this continuity thanks to the dedicated efforts made by all of our City Broker colleagues within the Kessler Bern team. I would like to thank the entire team for getting off to such a successful start in the new setup.

# INTERNATIONAL GLOBAL RISK REPORT, HARD MARKET



**ROGER KONRAD**  
Member of the Executive Committee

We were still able to conduct our WEF debriefing events in Zurich and Geneva in January 2020, presenting and discussing the biggest global risks. A pandemic also showed up in the risk landscape presented in the WEF and Marsh Global Risks Report 2020. In terms of impact, the pandemic came in last among the top ten, albeit with a low probability of occurrence, which is why it was no longer classed as being under observation. Reality taught us a different lesson. The pandemic arrived unexpectedly and its impact was severe. Interestingly, one speaker at the event asked which of the participants had already read the pandemic emergency plan. Only a few people in the room had.

The Global Risks Report 2020 analyzed the statements of 800 WEF participants. For the first time, 200 “young shapers” were listed separately. They consistently rated the risks more conservatively, i.e. saw them as being greater, than the other 600 respondents.

## **HARD INSURANCE MARKET**

In addition to working from home becoming the norm during the first lockdown in the spring, we were also hit by a hard insurance market. Although this did not come as a surprise, the impact was more dramatic than expected. We need more markets for larger programs because many providers have reduced their capacities considerably or have even withdrawn from certain insurance products completely. The last hard market on a similar scale was seen almost 20 years ago. The hope is that the situation will calm down soon.

## **CYBER THREATS REMAIN ONE OF THE BIGGEST RISKS**

Hopefully, we will soon be able to put this pandemic behind us. Going forward, cyber threats will probably remain the biggest risk for the corporate sector, a trend that will be fueled by the working-from-home culture. Cybercriminals are becoming increasingly creative and unscrupulous in their use of VPN products as a gateway. Data is being blocked or stolen and companies blackmailed: those who fail to pay up are threatened with the publication of the stolen data or its sale to competitors. The risk of falling victim to a ransomware attack remains high.

# SPECIAL RISKS A CHALLENGING YEAR



**PASCAL SCHWEINGRUBER**  
Member of the Executive Committee

Let me start with the good news: Kessler used 2020 to forge ahead with key digitalization projects. The new website and the further development of the client annual report were milestones for us. The most important new feature of our client work was the launch of the digital checklist (DCL) as central resource for strategic consulting on the implementation of risk and insurance policies at Kessler. Once established, it enables periodic monitoring of the insurance portfolio and makes it easier to make strategic decisions. The DCL is already being used by a large number of clients. The feedback is encouraging. The DCL allows us to make more of a contribution to risk governance and thus provide even more active support for our clients' risk management activities. A great deal of internal knowledge was incorporated

into the development process. Perhaps it was precisely thanks to the fact that we were working from home that we progressed a little faster.

## **SPECIAL RISKS**

In 2020, a perfect storm turned the special risks market on its head. It arrived violently and unexpectedly. The forecast I published here a year ago also turned out to be wrong. Once the lockdown was imposed, an increasing shortage of supply and higher prices started to emerge. Within the space of only a few weeks, we found ourselves confronted with a hard market again and the correction was drastic. Be it credit, aviation, cyber, D&O, professional liability or PTL – all lines of insurance in Special Risks were hit hard. We had to take a lot of risks on the market, and even policies offered by solid companies that had been going well were suddenly no longer in demand.

## **FORECAST**

Rarely has a new year been so eagerly anticipated as 2021. So what does the year hold for special risks insurance? I don't know, and I have become more cautious with my forecasts. But our veterans will remember 2002 and 1985. Back then, the insurance industry was faced with similar crises in industrial insurance. In both instances, the crises did not last very long and the markets soon stabilized at the new level.



# FRENCH-SPEAKING SWITZERLAND BRAND-NEW QUESTIONS



**BERNARD PERRITAZ**  
Member of the Executive Committee

The past 12 months have been extraordinary in more ways than one, raising some brand-new questions. Here are a few of them.

First of all, risk management: when the WEF published its Global Risks Report in January 2020, the risk of a pandemic was not even on the radar, far behind climate change and cyberattack issues. The 2021 report cites the pandemic as the number one risk in terms of impact and number four in terms of occurrence. How is this kind of discrepancy possible?

Exponential growth: here's a concept that became increasingly real as the virus was transmitted. Why is it so difficult for the brain to understand this type of spread, in contrast to a linear progression?

At what point do we talk about a pandemic rather than an epidemic? How do we interpret an exclusion in the insurance terms and conditions for loss "due to pathogens classified as WHO pandemic phases 5 or 6"? Is it better to accept a lower, voluntary lump-sum compensation from the insurer, or to sue for the full indemnity, however uncertain the outcome?

How are social security contributions calculated on income that is not offset by short-time working benefits? Up to what point can employee BVG contributions be paid from the employer contribution reserves? Why is there less absenteeism during a pandemic?

Where personal meetings are concerned, which is preferable – in person with masks or by videoconference without? Why were those in French-speaking Switzerland affected more quickly and more severely by the virus? When will the next Federal Council press conference be?

Some questions were answered quickly while others proved more difficult. Certain issues must be decided by the courts. For others still, there will never be a satisfactory answer.

# HEALTH & BENEFITS COVID-19 – NEW TOPICS



**STEFAN LEUENBERGER**  
Member of the Executive Committee

A year ago, I assumed responsibility for Health & Benefits and HR Risk Management. 2020 was characterized by challenges resulting from COVID-19. I am impressed by the flexibility and commitment shown by our employees. They confidently analyzed a whole number of new issues and topics, developed approaches for solutions, and provided intensive support to our clients during this difficult period. Allow me to say a heartfelt thank-you for this collaboration based on trust.

## ACCIDENT AND HEALTH INSURANCE

In the accident and health insurance business, our clients' main concerns were questions relating to insurance coverage, what to do in the event of liquidity bottlenecks, as well as temporary plant closures and

furlough pay. Working from home arrangements and social security issues for cross-border commuters also led to an increased need for advice. In a financial situation that was already tense, companies had to contend with sometimes dramatic premium increases. Intensive, persistent negotiation of conditions and the development of new, alternative solutions prevented more serious consequences.

## TARGETED REDUCTION IN HR RISKS

The tense HR situation showed our clients the importance of well-established management processes and highlighted weak points in recording and analyzing absences. Our HR Risk Consultants launched projects to identify and minimize their HR risks. Costs of absenteeism were calculated and absences were compared against industry benchmarks. Increasing absenteeism, a lack of control and rising insurance premiums are pushing companies to review their overall situation.

## PENSION BENEFITS

The stock market crash of March 2020 raised the question as to how solid pension funds really were. The rapid recovery on the capital markets shows their volatility. Pension plans offering higher return potential continue to gain momentum. Tighter rules governing staff participation rights in the event of a change in pension fund calls for comprehensive communication with employees aimed at building confidence.



# PENSION FUND MANAGEMENT

## EFFICIENT MANAGEMENT, REMOTELY



**NATALIE KOCH**  
Director Kessler Benefits Inc.

In 2020, Kessler Benefits was impacted by the sudden decisions of the Federal Council on working from home. These forced us to adapt quickly in March – a month already given over to completing the annual reporting.

Working from home is now for the many, not just the few. At the same time, occupational pension benefits is a very human field in which personal contact is essential. I found this contact lacking in 2020.

Not all parts of the country have felt the same way about the present health crisis. Our teams displayed a great deal of understanding and empathy for the particular situation in each case, with everyone facing

the virus itself or the related organizational challenges one way or another.

In normal times, we have auditors at our sites, and the initial board of trustees meetings to approve the annual financial statements are followed by more social gatherings. Our employees also showed remarkable flexibility and client focus here.

### DIGITALIZATION PROVES ITS WORTH

Despite the circumstances, annual reports were delivered on time and client claims processed promptly, thanks to electronic document archives and electronic mail handling. Kessler went digital in 2017 – a step which proved extremely valuable in 2020 as it allowed business to continue without interruption.

I have not observed any particular COVID-19-related concerns in my division. Our clients made little use of the exceptions determined by the Federal Council and the supervisory authorities. Their priority was maintaining their business operations, while pension funds took a back seat. We were nonetheless able to reassure our clients that, even remotely, our processes worked perfectly.

The digitalization trend is here to stay, and we will be stepping up our efforts in this regard. Pension fund management will be as automated as possible in the future, and it is my belief that our “managers” will evolve into “advisors.” I look forward joining my colleagues on this path.

# RISK CONSULTING

## OPTIMIZED RISK FINANCING



**SIMON KÜNZLER**  
Director Kessler Consulting Inc.

After a prolonged period of stable or even declining premium rates, 2020 was a year of considerable premium increases triggered by market-related factors. This raises the question as to how a company can cushion the blow of premium increases – especially if the claims ratio remains unchanged or moderate. The solution often lies in the company assuming more of the risk itself with higher deductibles. My team focuses not only on premiums, but also on the total cost of risk. We used optimization projects to determine the effective risk exposure in each case, the aim being only to purchase as much insurance coverage as absolutely necessary. Optimizing the relationship between the assumption of risks internally and risk transfer created scope for further savings potential. We often found that the deductibles set were too low.

### CAPTIVE REVIVAL

The price hikes serve as an incentive to review risk financing and make it more efficient. As a result, in-house insurance solutions are becoming more important. We conducted a number of captive feasibility studies in 2020. They provide a basis for deciding whether this sort of in-house insurance company should be established. The premium increases are one of the drivers behind this trend. In addition, a hardening market means hardly any cover is being provided for certain risks anymore. Companies that already have this sort of risk financing vehicle are at an advantage. They can increase the risks they assume in-house within the captive at short notice and/or supplement the risks they assume in-house with additional lines of insurance in the captive. Interest in captive solutions is growing among larger and medium-sized companies. For example, the market offers solutions in the form of protected cell companies. They allow the risk to be financed via an external risk-bearing vehicle. Our projects show that premium increases also have a positive effect as they subject a company's insurance situation to an economic fitness test.

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