

MARKET VIEW

INDUSTRY INFORMATION 2018



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BITCOIN

HEDGING AGAINST OPERATING RISKS

Cryptocurrencies are currently dividing opinion, with some dubbing them the future of payment and others dismissing them as a speculative bubble. Against this backdrop, factual information is all the more important.

Cryptocurrencies are digital means of payment that can be used like money. However, they are not backed by a central bank or state as a third party between buyer and seller. The most famous example is bitcoin. Bitcoins are usually

purchased via trading platforms and stored in a virtual wallet. Wallets are accessed using electronic or physical private keys.

BLOCKCHAIN – SECURE TRANSMISSION OF DATA

Payment transactions involving bitcoins are secured using blockchain technology. Each payment takes the form of a direct digital confirmation between the payer and payee. The data relating to a number of transactions is consolidated in a “block” and subjected to highly complex encryption. A

block may contain a wide variety of information, such as account details, amounts to be transferred or even entire contracts. The ingenious thing is that part of this encryption is always based on another, preceding block. The blocks add up to form a chain (blockchain). This is considered particularly secure because in order to decrypt a block and access wallets or other user data you would first have to crack all preceding blocks, which is almost impossible.

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DEAR READER

Switzerland is famous for its wide range of insurance – even when purchasing a smartphone, for example, we are asked if we want to take out a separate insurance policy. And yet we are barely aware of the risks and insurance associated with travel abroad.

Companies face similar questions. Specialist dialog with our clients aims to help identify significant risks. We want to feel safe because we have the major risks under control and not because we have comprehensive insurance.

I hope you find this an interesting read.

Helmut Studer
Member of the Executive Committee

→ AWARENESS OF RISK

Nevertheless, the Zurich Cantonal Police received two reports of cybercrime at the start of the year, both of which involved a certain amount of the cryptocurrency IOTA with an equivalent value of a million Swiss francs being stolen. Investigators believe that the perpetrators gained access to parts of the users' private keys and cracked the remaining parts using special software.

There is a risk of loss if a key is fraudulently misappropriated or otherwise lost, for example as a result of fire. The insurance sector offers professional corporate financial service providers risk transfer solutions in the fields of property, fidelity and professional liability insurance.

AWARENESS OF RISK STILL NECESSARY DESPITE BLOCK- CHAIN.

CLAUDIO ROA

Claudio Roa started working for Kessler in the year 2000. He is Head of Accident and Health Insurance and a member of Executive Staff.



WATER

THE UNDERESTIMATED RISK



Global climate change is causing localized extremes of weather. For Switzerland this mainly means a heightened risk of flooding and erosion.

January 2018 was the mildest month on average in Switzerland since records began in 1864. It also had the highest level of precipitation, which brought large volumes of fresh snow. Fortunately the spring runoff was drawn out, which averted significant flooding, but heavy rain in April and May caused enough damage as it was.

Flooding and associated incidents such as mudslides and their effects are among the greatest risks in Switzerland. That is why most of the cantonal property insurers, which were founded back in the 19th century, also cover flooding in addition to natural

hazards such as hail, storms or avalanches. This only applies to damage to the structure of a building, however, which is calculated based on the indexed insurance value of the property.

FLOODING IS ONE OF THE GREATEST RISKS IN SWITZERLAND.

WHAT IS NOT COVERED BY BUILDING INSURANCE
Cantonal building insurance does not cover damage caused by the build-up of water from the sewage network in a building, for example. Insurers offer building water insurance for such cases. Consequential damages such as environmental pollution and destroyed furniture, equipment or inventories are also not covered (exceptions: VD and NW, where furniture and equipment are covered). Insurance cover should be planned accordingly.

VALÉRIE SCILIPOTI

Valérie Scilipoti is a Client Executive and Head of Client Relationship Management in French-speaking Switzerland. She has been working for Kessler since 2011 and is a member of Senior Staff.



DAILY SICKNESS ALLOWANCE CHANGES AFOOT



There are changes ahead for daily sickness allowance insurance that require action on the part of insured companies.

Companies can cover the costs for employees who cannot work due to illness with daily sickness allowance insurance. This makes sense because employers are required to pay at least 80% of an employee's pay for a certain amount of time in accordance with OR Art. 324a.

Daily sickness allowance insurers have run into difficulty, however, and have been forced to significantly increase their premiums in some cases. This has been triggered by the tough economic situation, the pressure and strain on employees, the increased pace of work and the requirements of the supervisory authorities. There is no end in

sight, and premiums will continue to rise for as long as this is the case.

PROFESSIONAL NEGOTIATION

Companies are paying more for the same service. They are also struggling to negotiate special conditions on a contractual level. There is a significant need to restructure older contracts, and contracts that are not performing well are being fundamentally revised. Companies either need to adopt a tough approach to negotiations or switch to a different provider. The latter involves a lot of work, and it is worth involving a professional partner.

PAYING EVEN MORE WHEN ECONOMIC CONDITIONS ARE BAD.

In light of developments, employers would be well-advised to invest more in company health management or to set it up in the first place, as preventive measures can help to keep sickness-related absences under control.

BEATRIX BOCK

Beatrix Bock has degrees in insurance and social insurance and holds an EMBA FH. She has been working for Kessler as a Client Executive since 1995 and is a member of Executive Staff.



OUR ADVICE ASSISTANCE WITH TRAVEL INSURANCE

Many companies have travel insurance for business trips. Employees can also use their cover privately and save money.

Before traveling it is worth checking the coverage of an employer's travel insurance and comparing it with private insurance.

GOOD HEALTHCARE

Accidents, for example, are covered by an employer's accident insurance. This can be combined with private health insurance for comprehensive insurance coverage. In the event of an emergency abroad, however, health insurance will only pay out double the costs that would be incurred for the necessary treatment in the policyholder's canton of residence. Travel insurance should therefore include the full costs of treatment.

It is important to clarify the specific circumstances in each country sufficiently in advance. Some countries require substantial insurance coverage for a visa, for example, or the assumption of the costs for transportation back to Switzerland. This is covered by Rega patronage, for example.

ACCIDENTS ARE COVERED BY AN EMPLOYER'S ACCIDENT INSURANCE.

BETIM REDZEPI

Betim Redzepe has been working for Kessler as a Client Executive since 2016.



INDUSTRY EVENTS 2018 / 2019

We will be at the following conferences and trade fairs:

SIRM Forum

November 6 to 7, 2018 in Lausanne
Annual congress of Swiss companies to exchange experiences and knowledge with international insurers and brokers.

Rencontres AMRAE

February 6 to 8, 2019 in Deauville

Association for corporate risks and insurance management.

Trendtage Gesundheit Luzern

March 27 to 28, 2019 in Lucerne
Congress for networking with all stakeholders in the healthcare systems, including insurers.

RIMS Annual Conference & Exhibition

April 28 to May 1, 2019 in Boston
International congress of the Risk Management Society.

INTERVIEW

SÉBASTIEN WYSS, CLIENT EXECUTIVE

Sébastien Wyss, 28, joined Kessler in 2012. He is currently a contact person for clients in the financial sector and a property and business interruption specialist.

Mr. Wyss, what do you spend most of your days at work doing?

As a Client Executive I coordinate the collaboration between our clients in the financial sector, our specialists and the insurers. As a specialist in property and business interruption insurance I advise our clients regarding risks that could lead to the interruption of their business.

“THE HUMAN TOUCH IS MOST IMPORTANT OF ALL.”

What do you like most about what you do?

My work is highly varied. I often need to find the best solutions for clients and take decisive action in difficult situations. It's just like my hobby of playing golf. Strategizing alone will get you nowhere – at some point you just have to hit the ball. At work this means I need to decide, organize, delegate and communicate. But the human touch is most important

of all when dealing with clients, colleagues and insurers.

What direction would you like your development to take?

I have developed an interest in the subject of risk management. Recently I completed a bachelor's degree in business communication, and my next goal is a master's in risk management.

Working and studying at the same time is difficult. Where do you get the energy from?

For relaxation I most enjoy spending time in nature with my friends, playing golf or skiing in the winter, sometimes on the slopes and sometimes on tours. If the weather is bad I like to cook for my family and friends – with a good glass of wine of course.

Thank you very much for talking to us, Mr. Wyss.

SÉBASTIEN WYSS

Sébastien Wyss has been working for Kessler since 2012. He is a Client Executive and a Property and Business Interruption Insurance Broker.



BUSINESS RESILIENCE BUILDING UP RESISTANCE



In a world that is changing rapidly, organizations must absorb unforeseeable events and return to the way they were as quickly as possible. This resilience enables them to deal with disruption and maintain their capacity to deliver.

Cyber attacks, epidemics and natural disasters in the countries of suppliers or clients can pose a threat to a company's existence. Companies need to prepare for such events, which are caused by globalization, digitalization and climate change and usually unfold very rapidly, and implement streamlined measures to create a robust immune system that is referred to as business resilience.

PREVENTION AND REACTION

Business resilience is based on an individual analysis of the internal and external risks faced by a company and its supply chain. It is important to not only act on a prospective basis but above all to also consider crises in the company's history. This is used to develop preventive measures as well as resources that allow the company to spot and assess developments at an early stage in order to then be able to react.

**IT IS IMPORTANT TO
NOT ONLY ACT ON A
PROSPECTIVE BASIS.**

Preventive measures include benchmark comparisons for situational analysis, emergency exercises and recommended courses of action. In order to manage a crisis, a pre-defined crisis system is in place with documented processes (crisis manual) and a functioning infrastructure in order to maintain business activities.

HARIS STUCKI

Haris Stucki has been working for Kessler Consulting as a Senior Risk Consultant since 2017. He is responsible for services in the Business Resilience Practice. He is a member of Senior Staff.



MARKET TRENDS

PREMIUMS IN THE NEXT TWELVE MONTHS

Streamlining among personal insurance providers is also to be expected next year. Good contract negotiations have the potential to mitigate sharp price hikes. Positive risk trends are however a prerequisite for favorable premiums in all sectors.

INSURANCE INDUSTRY	NATIONAL	INTERNATIONAL
Occupational benefits	→	→
Accident and health insurance	↗	↗
Liability insurance	↘	↘
Property insurance	↘	→
Technical insurance	↘	→
Marine insurance	↘	↘
Motor vehicle insurance	→	→
Aviation	→	→
Directors' and Officers' liability insurance	→	↗
Credit insurance	→	↗
Fidelity insurance	↗	↗
Cyber insurance	→	→

Do you have any questions? Arrange a personal consultation:

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ABOUT KESSLER

Kessler is the leading Swiss enterprise specializing in risk, insurance and pension fund consulting. Due to the know-how and experience of our staff, our innovative strength as well as our market position, we create added value in a sustainable manner for our clients from all parts of industry (i.e. service, trading and manufacturing companies as well as the public sector). Our excellent reputation combined with our financial success form the foundation of our long-

term future as an independent family enterprise. Founded in 1915, Kessler has 275 employees working at its headquarters in Zurich as well as at further sites in Aarau, Basel, Bern, Geneva, Lausanne, Lucerne, Neuchâtel, St. Gallen and Vaduz. As the Swiss partner of Marsh, we are part of a network with specialists in all areas of risk management and are experienced in handling global insurance programs. Marsh, the world's leading insurance broker and risk consultant, operates in more than 100 countries and is part of Marsh & McLennan Companies, whose share is traded on the New York, Chicago and London Stock Exchanges (ticker symbol: MMC).

Further information can be found at www.kessler.ch, www.marsh.com, www.mmc.com.