



# Market View 2023

Current Insurance Market Perspectives



A SECURE FUTURE.

In the opinion of our practice leaders, the insurance market for industrial and large companies has continued to recover in 2023. Not all business sectors are benefiting from the trend, however. Risks from the Ukraine war, monetary policy and ESG are on the underwriters' radar.

In "Market View," Kessler's practice leaders report on the status of their markets and on the developments in the risks faced by Swiss companies. They derive their assessments from the experiences of our experts and from the global exchange with Marsh McLennan. The premium barometer gives you a general guide as to where we think the markets are heading in 2024.

## Liability Insurance

### Energy shortages, climate change and inflation

**The "Energy Perspective 2050+" campaign is giving rise to skepticism among insurers. Climate change carries the risk of lawsuits and litigation. Companies need to rethink their governance and amend their cover. The highly competitive market requires innovation.**

The Federal Council launched its "Energy Perspectives 2050+" campaign on August 31, 2022. The campaign, which aims at ensuring a secure energy supply for Switzerland, is focused in particular on climate neutrality. The industry has not hesitated to embark on implementing ambitious projects such as drilling boreholes and wind farms. However, these projects not only encounter resistance in the form of public objections, but also skepticism from insurers. Foreign insurance solutions are sometimes needed in order to embark on certain activities – for projects that are intended to promote Switzerland's independence.

#### CLIMATE CHANGE AS A RISK FACTOR

Lawsuits and legal disputes have become an important risk factor in general liability insurance, particularly in relation to climate change. There has been an increase in corporate social responsibility. According to a survey by the Geneva Association, almost 50% of respondents in the liability insurance business think that industrial pollutants will have a considerable impact on medium-term liabilities. If companies are to counteract these pressures, it is important that they rethink their governance and act in a transparent manner, as those companies that fail to meet the expected standards could

find themselves confronted by an increasing amount of litigation.

The high inflation rates are likely to lead to higher loss amounts, which makes it all the more important to choose optimal protection with high guarantees that also encompass the necessary environmental cover. Anticipating needs and breaking new ground is an imperative in this increasingly competitive market.

#### \$ DEVELOPMENT OF PREMIUMS NATIONAL INTERNATIONAL

Liability insurance ↗ ↗



**Andreas Strässle and Marcus Donner**  
Practice Leaders  
Liability Insurance

# Property Insurance

## Global shocks, diversified supply chains

The global context is characterized by an increasingly protectionist stance by the US and an ongoing decoupling of Western economies from China. Against this backdrop, supply chain diversification is becoming key.

Many companies' supply chains have become increasingly dependent on China in recent years. That is something they now need to reconsider in light of the resurgence of inflation and the increasing tensions between the US and China. Production costs have risen and recent actions undertaken by the US government, including the Inflation Reduction Act of 2022, reflect this new attitude in the form of unmistakably protectionist policies.

It is clear that the US has changed its approach to trade and globalization. The big question is whether other economies will also adopt this approach. Western companies have become conscious of their heavy dependence on Chinese suppliers. Supply chain diversification will be increasingly important.

### INFLATION AS A CHALLENGE

While they differ from country to country, high inflation rates remain a challenge for the insurance industry. On the one hand, sums insured are rising, while on the other, there is a trend towards higher loss amounts, which is in part due to higher construction costs and longer replacement times.

In addition to these challenges, companies are confronted with the need to move towards a more ecological and responsible way of working. In particular, they need to focus on ESG factors, which are likely to assume an ever greater importance in the future.

A thorough analysis of risks related to supplier defaults and the declaration of insurance values are necessary steps in companies' risk management.

\$ DEVELOPMENT OF PREMIUMS	NATIONAL	INTERNATIONAL
Property insurance	↗	↗
Technical insurance	↗	↗



**Pascal Schneider**  
Practice Leader  
Property Insurance

# Pension Benefits

## Increase in old-age pensions for unmarried people?

In accordance with the law, surviving spouses receive 60% of the old-age pension of their deceased retired partner (spouse's pension benefit entitlement). Regardless of their marital status or living arrangements, unmarried people co-finance these pension entitlements. A model is now being discussed that would allow insured persons to choose the amount of the spouse's pension benefit entitlement before they begin drawing their pension.

Boards of trustees are examining ways in which conversion rates could be split with regard to retirement pensions. This would enable insured persons to choose for

themselves the extent to which the spouse's pension benefit entitlement is also insured. This option has the advantage of taking into account personal needs, but has the disadvantage of making an already very complex system even more complicated. Furthermore, it also diminishes solidarity within the occupational pension scheme. When an insured person has several options at retirement, that person and their partner must have a clear understanding of the consequences.

### APPEALING TO COLLECTIVE FOUNDATIONS

Besides some autonomous foundations, some collective foundations such as Gemini and PKG have already intro-

duced this model. The benefit entitlement can be reduced or increased up to 100%. If it is increased, the conversion rate is reduced, while if it is reduced, the conversion rate is increased.

With Gemini, a man born in 1958 can choose between a spouse's pension benefit entitlement of 60% of his retirement pension and a conversion rate of 5.40% or to increase the spouse's pension benefit entitlement to 100% and reduce the conversion rate to 4.40%. With retirement assets of CHF 500,000, the annual difference in the retirement pension is CHF 5,000. While very few pension funds offer such a choice, it is a model that more collective foundations are likely to introduce.

**\$ DEVELOPMENT OF PREMIUMS NATIONAL**

- Affiliation contracts with a collective foundation →
- Risk insurance for foundations →



**Cédric Deprez and Nadine Wieland**  
Practice Leaders  
Pension Benefits

## Personal Insurance Trends and relevant changes

**The personal insurance market is becoming ever more volatile, with an increase in tendering rounds and rejected bids. Premiums are rising despite market comparisons, but low-risk clients can still find good deals. Providers are focusing on renewal offers, although the remediation requirements are often too high.**

The personal insurance market environment remains challenging. The developments we are seeing frequently result in increased costs and additional work for companies. There are, however, also opportunities and ways to handle them.

Political and legal developments are leading to an increase in regulations and rules – each decision taken must be justifiable.

At the same time, however, digitalization and process automation are coming along in leaps and bounds, which opens up the opportunity to focus on the core business and reduce the administrative burden.

In the case of daily sickness benefits, the rising cost of transferring risk to the insurer is leading to a trend towards alternative insurance solutions, which is something that increasing numbers of insurers are offering. Larger companies are ever more likely to decide to bear more risk themselves and to take advantage of such solutions, one of which is longer waiting periods. Solutions that offer benefits from the very first day are also gaining in importance. IT must create a good database for absence management, which in turn will simplify administration.

Round tables with insurance partners are gaining in importance in the benefits process. This makes it possible to proactively avoid benefit reductions when case reports are submitted late and makes it possible for the policyholder and the insurer to discuss and define the processes that make up the benefit procedure.

**⌚ DEVELOPMENT OF PREMIUMS NATIONAL INTERNATIONAL**

Daily sickness benefits insurance	↗	↗
Accident insurance	↗	↗
Supplementary accident insurance	↗	↗
Corporate travel insurance	→	→



**Thomas Roggo**  
Practice Leader  
Personal Insurance

# Special Risks and Cyber

## Multilayered market with glimmers of hope

The market situation for special risks insurance remains complex. While the market is easing with regard to the directors’ and officers’ liability (D&O) and trustee liability (PTL) insurance lines, employment practices liability insurance (EPLI), fidelity and professional liability insurance remain stable. The cyber insurance market remains challenging, but here too, there are glimmers of hope.

into force on 1 September 2023. At the same time, new rules for operators of critical infrastructures are also on their way, which will require the reporting of cyberattacks that have the potential to cause severe damage within 24 hours.

Sustainability and the economic environment are issues that are increasingly preoccupying insurers. New laws are increasingly integrating ESG into management and corporate governance, while accusations of greenwashing in asset management are bringing the issue into focus for insurers of financial institutions. In addition, D&O insurers are worried about the expected increase in corporate bankruptcies. Insurers are anticipating a general increase in claims due to the high rates of inflation. The war in Ukraine also remains an issue. Insurers have increasingly introduced territorial exclusions for companies with branches in Russia or Belarus.

### SPECIAL RISKS

The D&O market has entered a soft phase. Insurers’ growth targets and the entry of new providers into the market mean that it has recently become possible to negotiate premium reductions when renewing. In some instances, insurers are also offering extensions of cover and multi-year agreements. The EPLI, fidelity and professional liability insurance segments remain stable for the most part. Excluding changes in risk, it can be assumed that conditions will remain unchanged. Should the underlying risk parameters increase, it is likely that insurers will adjust premiums. The limited number of providers restricts the competitive pressure.

### CYBER

There is a trend towards stabilizing conditions in the cyber insurance market. An examination of our Swiss portfolio reveals average premium increases of around 10% in the first half of the year. Where the risk quality of the companies is improving, it is even possible to expand the scope of cover. Improved loss ratios have allowed the cyber insurance market to become more balanced. This turnaround was made possible by companies constantly investing in their IT security as well as premium increases and strict minimum criteria for the underwriting of risks by insurers. For example, one of the things that insurers now expect is a multifactor authentication solution, patch management and a backup concept. Cyber insurance is thus increasingly becoming a hallmark for cyber resilience. The trend towards constantly increasing regulation is also continuing, with Switzerland’s new Data Protection Act coming

	DEVELOPMENT OF PREMIUMS	NATIONAL	INTERNATIONAL
D&O insurance	↘		↘
Cyber insurance	→		↗
Fidelity insurance	→		↗
Credit insurance	→		↗



**René Fernandez and Till Siegmann**  
Practice Leaders  
Cyber & Crime and  
Special Risks

# Insurance for Transport and Logistics

## Crises, opportunities and increased e-mobility

The current crises are impacting transportation routes and insurance cover, making effective risk management an important consideration for companies. The trend toward e-mobility requires specialized insurance policies for e-vehicle fleets to cover risks such as maintenance, repairs and charging stations. In aviation, the market is weathering the Ukraine war and rising premiums, at a time when travel is rebounding and staff shortages remain a challenge.

### MARINE INSURANCE

The pandemic has led to lockdowns, container shortages and vulnerable transportation routes. Furthermore, the effects of the Ukraine war are making themselves felt. These include increased energy costs due to restrictions as well as no or limited cover for Russia, Ukraine and Belarus. Transport routes are being scrutinized and sea and air freight are significantly more expensive than before the crises.

We perceive great caution in the area of compound risk management among insurers. Container shortages have led to a concentration of assets in Asian ports. Loss scenarios relating to natural hazards or to political tensions are influencing insurers' guidelines. We expect compound risk management to become even more important and insurers to respond with further cover limits. It is therefore essential that companies are aware of the risks in their own value chain if they are to ensure that they manage risks adequately and when purchasing insurance.

### MOTOR VEHICLE INSURANCE

The trend toward e-vehicles is increasing. This is due to the political promotion of e-mobility, increasing environmental awareness, new technologies and the falling costs of batteries and components, which are having an effect on companies. Demand for specialized fleet insurance for e-vehicles is increasing. This will be on a greater scale for commercial vehicles and fleets.

E-vehicle fleets offer numerous benefits, such as lower operating costs and environmental protection, but do entail risks with regard to maintenance and repairs, and as regards the availability of charging stations. Insurers need to offer specific insurance policies that meet the needs of companies with e-fleets. These include cover for charging infrastructure outages, battery defects and data loss due to hacker attacks. Specialized insurance for e-vehicles is therefore increasing in importance.

### AVIATION

The insurance market outperformed the previous year. Insurers were able to increase capacity and the appetite for risk remained perceptible, but the first effects of the Ukraine war were starting to make themselves felt in the insurance market.

The impact on insurers of the loss of passenger aircraft seized by Russia can be seen in the rising trend in hull war and liability premiums, which have increased sharply in recent months. One reason for this is that some insurers in the UK market decided to reduce capacity significantly, a trend that is expected to continue.

The upward trend in travel following the COVID-19 pandemic is continuing. People are traveling again at almost the same rate as before the pandemic. This growth is only being held back by the lack of air and ground personnel. Meeting the demand is a challenge.

	DEVELOPMENT OF PREMIUMS	NATIONAL	INTERNATIONAL
Marine insurance	→		→
Motor vehicle insurance	↑		↑
Aviation insurance	↗		↗



**Patrick Frey and Nicola Carbone**  
Practice Leaders  
Aviation and Motor  
Vehicle Insurance

# International Employee Benefits

## Minimizing the risks of business travel

After coming to a standstill during the COVID-19 pandemic, business travel is back in vogue. It does, however, come with risks. That's why it's worth taking a close look at the services offered by insurers and assistance providers, as well as their tools for business travel.

Business travel is ramping up again, as it has become apparent that not everything can be negotiated and decided via digital working models and that personal contact is very important. Business trips do, however, come with risks, and employers need to optimally protect their employees from potential dangers.

### OPTIMAL PROTECTION OF EMPLOYEES

Unforeseen problems or costs are troublesome for traveling employees, especially costs arising from the cancellation, curtailment or interruption of trips, flight delays or loss of/damage to luggage. Protecting employees is a top priority for employers. As part of the duty of care, measures must therefore be taken to minimize the risk to employees. Employees may suffer an accident or fall ill while on a business trip. Medical expenses abroad or medical repatriation back to Switzerland can be very expensive and the cover provided by compulsory insurance is not sufficient. In the event of an emergency, a traveler is dependent on professional assistance and therefore requires optimal insurance coverage.

In addition to an insurance solution, it may be sensible to have access to an assistance center and travel tools, such as insurance company apps that offer travel advice, dashboards for travel managers, and tracking and alert systems.

### SCRUTINIZING COMPLIANCE

In addition to insurance coverage, including tools and assistance services, compliance is an important factor. Is an insurance solution for the company in Switzerland sufficient or do other companies abroad also need to be co-insured? Is a local insurance solution sufficient or would it make sense to implement an international program? When considering this question, it is important to examine and scrutinize all aspects such as the structure, costs and possibilities of such a program.

\$	DEVELOPMENT OF PREMIUMS	INTERNATIONAL
	International group healthcare insurance	➔
	International employee benefits	➔



**Olivier Tobler**  
Personal Insurance  
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### ABOUT KESSLER

Kessler is the leading Swiss enterprise specializing in comprehensive risk, insurance and pension benefits consulting. We advise over 1,500 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 sectors, our highly qualified staff and our leading market position, 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. Founded in 1915, Kessler has 330 employees working at its head-

quarters in Zurich and its other sites in Basel, Bern, Geneva, Lausanne, Lucerne, Neuchâtel, St. Gallen, Sion and Vaduz. As the Swiss partner of Marsh since 1998, we are part of a network with specialists in all areas of risk management and with great experience in handling global insurance programs. Marsh, the world's leading insurance broker and risk advisor, operates in more than 130 countries and is part of Marsh McLennan (NYSE: MMC).

Further information can be found at [www.kessler.ch](http://www.kessler.ch), [www.marsh.com](http://www.marsh.com) and [www.mmc.com](http://www.mmc.com).

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