



RISK & INSURANCE INSIGHT 2019



A SECURE FUTURE.

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KESSLER PROVIDES RISK, INSURANCE AND PENSION
FUND CONSULTING SERVICES FOR CORPORATE
CLIENTS IN THE SERVICES, RETAIL AND INDUSTRIAL
SECTORS, AND THE PUBLIC SECTOR.

ALL SERVICES FROM A SINGLE SOURCE

- Comprehensive risk and insurance analyses and advice
- Risk and insurance policy models and integrated solutions
- Creating and placing tailored, innovative insurance solutions
- Comprehensive management spanning all insurance sectors
- Legal advice, support and assistance in the event of a claim
- Access via KesslerOnline
- Leading advisor for financial lines coverages
Modern risk financing, captive studies and captive management
- Due diligence and transaction solutions for company acquisitions and divestments
- Employee benefits consulting and coordination

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EDITORIAL

Dear clients, partners, employees and friends of Kessler

The growth experienced by the global economy has slowed. This is partly due to trade conflicts with new tariffs, in particular between the US and China. The Swiss economy is very strongly intertwined with international markets. We rely on open borders but find this difficult to acknowledge politically.

Increasing life expectancy and persistently low interest rates require substantial changes to the Swiss pension system. The Federal Council has sent a new OASI stabilization proposal for consultation. The revised draft for occupational benefits will follow later; the social partners are currently in talks. The Occupational Pension Supervisory Commission calculated the redistribution to the detriment of active insured persons at CHF 7 billion per year. This has the potential to be socially explosive, with even the younger generation taking notice.

Cyber risks are a particularly important issue at the moment. Increasing dependence on the Internet, the growing Internet of Things and the new EU General Data Protection Regulation make cyber risk a central issue. The WEF Global Risks Report has been highlighting the importance of this topic.

We create added value for our clients and conduct a risk dialogue with them, as modern risk management requires in-depth risk identification and evaluation and optimizes the prevention, insurance and acceptance of risks.

We can look back on a successful year. The handover of the business to the fourth generation represented a milestone in the history of the family firm. Christian Kessler and Tom Kessler now manage the company as Managing Partners.

We thank you for your trust and hope you enjoy the read.

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



WE ARE AT OUR CLIENTS' SIDE, ADVISING THEM AS PARTNERS AND EQUALS. IN SWITZERLAND, LIECHTENSTEIN AND INTERNATIONALLY THROUGH THE MARSH NETWORK.

ANNUAL REPORT

Tensions persist in many parts of the world and the geopolitical situation remains precarious. Even in an otherwise stable Europe, we are experiencing uncertainty with the unresolved debt situation, Brexit, the government in Germany, unrest and reform efforts in France, and populism in Eastern Europe.

POLITICAL, ECONOMIC AND REGULATORY ENVIRONMENT

Tensions persist in many parts of the world and the geopolitical situation remains precarious. Even in an otherwise stable Europe, we are experiencing uncertainty with the unresolved debt situation, Brexit, the government in Germany, unrest and reform efforts in France, and populism in Eastern Europe. The global economic recovery seen in recent years has passed its peak. This is partly due to trade conflicts with new tariffs, in particular between the US and China. Erosion of the current world trade order would also hit Switzerland hard.

Switzerland is in a stable economic position and is characterized by good infrastructure and political stability. Its gross domestic product (GDP) increased by around 2.5%, while inflation was at 0.9% on average for the year. Unemployment fell from 3.2% to 2.6%. The Swiss National Bank continues to charge a negative interest rate of -0.75% on banks' assets.

Our economy is very strongly intertwined with international markets. Foreign trade (exports and imports) of goods and services exceeds our GDP. We rely on open borders but find this difficult to

acknowledge politically. The EU is calling for a framework agreement to maintain and expand the bilateral agreements in place, and the Federal Council has initiated a consultation process. A revised bill on corporate tax reform will be put to a referendum in May 2019. Its implementation is important for Switzerland as a business location, both in relation to the OECD and international tax competition.

WE RELY ON OPEN BORDERS BUT FIND THIS DIFFICULT TO ACKNOWLEDGE POLITICALLY.

THE INSURTECH SCENE HAS ALSO MOVED INCREASINGLY IN THE DIRECTION OF RISK ASSUMPTION / INSURANCE.

Digitalization in the insurance industry and FinTech/InsurTech is a hot topic of conversation. The first startups are concentrating on the customer interface, with the aim of creating a new customer experience. We are also evaluating the opportunities these new technologies offer for the client segment of small businesses. In this respect, the business model of the insurance broker has proved to be challenging, as we are having to automate two interfaces – one to clients and one to insurance companies. It remains to be seen whether smaller business clients want a full brokerage service. In the past 18 months, the InsurTech scene has also moved increasingly in the direction of risk assumption / insurance.

BLOCKCHAIN

Blockchain technology is opening up new avenues. The Blockchain Insurance Industry Initiative (B3i) is a collaboration between 15 global insurers and reinsurers with the aim of offering insurance solutions on a blockchain platform that significantly increase efficiency along the entire value chain for primary insurance and reinsurance. B3i Services AG has around 25 employees and is based in Zurich.

SWISS PENSION SYSTEM

For some time, we have known that the demographic trend of increasing life expectancy coupled with persistently low interest rates requires substantial changes to the Swiss pension system. Following the rejection of the 2020 Pension Reforms, which was designed to fully reform the 1st and the 2nd pillar of the pension system, the Federal Council sent a new proposal for consultation in the summer, aiming to stabilize the OASI (“AHV 21”). The revised draft for occupational benefits will follow later; the social partners are currently in talks. In the 2nd pillar, the current conversion rate of 6.8% means that around CHF 1,000 is deducted from each active contributor per year and allocated to those newly entering retirement. The Occupational Pension Supervisory Commission (OPSC) calculated the redistribution to the detriment of active insured persons at CHF 7 billion per year, which amounts to approximately 1% of the pension capital. This has the potential to be socially explosive, with even the younger generation taking notice. The reform backlog will only intensify these trends in coming years.

FIDLEG

The new Financial Services Act (FinSA), which is intended to strengthen consumer protection in the sale of investment products, has been adopted and will enter into force at the start of 2020. The FinSA does not apply to the insurance industry. However, necessary amendments are to be made to the insurance laws (VAG, VVG, BVG, KVG, etc.). A working group of industry representatives, in collaboration with the Swiss Insurance Brokers Association (SIBA), has prepared the first draft of the partial revision of the Insurance Supervision Act (VAG) for the attention of the Swiss Federal Department of Finance (FDF). Regulations are proposed for qualified life insurance policies, enhancing abuse supervision in insurance mediation by FINMA as well as an obligation to provide training. The proposal is currently under consultation.

INSURANCE BROKERS

In August 2017, the FINMA register included 16,250 insurance brokers. Around 1,950 of which are legal entities (AG, GmbH, etc.) and 14,300 natural persons. Of these natural persons, 55% are associated intermediaries, i.e. agents and insurance representatives. 45% or some 6,400 are independent intermediaries, i.e. insurance brokers.

The market share of professional brokers among medium-sized and large commercial clients is 90%. Independent insurance brokerage is an established profession, the market is distributed and competition is fierce. The SIBA comprises the top 80 insu-

rance brokers in Switzerland, covering some 2,000 employees. The association's main duty is to represent the interests of the sector in order to ensure an appropriate regulatory environment for the brokerage profession.

SERVICES AND CLIENTS

Kessler pursues the following corporate vision: “We are the Swiss leader in risk, insurance and pension fund consulting and Switzerland's leading partner in the globally active Marsh Network. We create sustainable added value for our clients by virtue of our market position, innovative strength and the expertise and experience of our employees. Our good reputation and economic success secure our long-term future as an independent family business.”

INDEPENDENT INSURANCE BROKERAGE IS AN ESTABLISHED PROFESSION, THE MARKET IS DISTRIBUTED.



OUR CLIENT FOCUS IS ALSO A REFLECTION OF OUR ORGANIZATION – WITH EACH TEAM AT KESSLER SPECIALIZING IN A SPECIFIC CLIENT INDUSTRY.

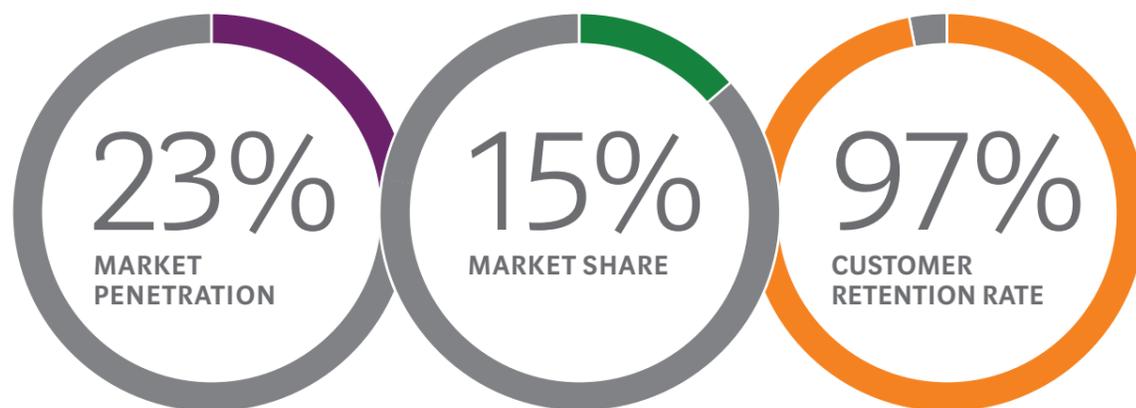
We provide risk, insurance and pension fund consulting services for corporate clients in the services, retail and industrial sectors and the public sector. Our product and market strategy is focused on the comprehensive management of companies with 100 employees or more. These number around 4,500 private-sector companies and 500 organizations working in the public sector. Kessler works with around 1,150 of these 5,000 target clients, which corresponds to a market penetration of 23%.

We have a business relationship with 45 of Switzerland's top 100 companies and with a third of its top 500 companies. We mainly advise medium-sized companies: of our total 1,150 clients, 750 employ between 100 and 250 staff, 250 between 250 and 750 staff, and 150 more than 750. Measured in terms of revenue from brokerage and fees, we have a market share of around 15% in this segment.

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 dialogue with the client. Modern risk management requires in-depth risk identification and evaluation, and optimizes the prevention, insurance and acceptance of risks. 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.

"YOUR PROBLEM IS RISK ... NOT INSURANCE," REMARKED HENRY MARSH, ONE OF THE FOUNDERS OF MARSH & MCLENNAN.

We help our clients create a company-specific risk and insurance management policy. 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 the incentive for avoidance. We design tailored insurance solutions and place the cover on the insurance market. We advise our clients on an ongoing basis and also offer them support if a loss event occurs.



Our clients include around 1,150 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.

Cyber risks are a particularly important issue at the moment. Increasing dependence on the Internet, the growing Internet of Things (IoT) and the new EU General Data Protection Regulation (GDPR) make cyber risk an absolutely central issue. The WEF Global Risks Report has been highlighting the importance of this topic for a number of years now.

In May and June 2017, the malware attacks “WannaCry” and “NotPetya” affected hundreds of thousands of IT networks – including those of global corporations such as Merck, Maersk, Fedex and Mondelez – and caused billions in losses within a short time period. For the first time, insurers

recognized the global cumulative effect of these attacks. By comparison, storms and earthquakes have a much more local impact. An especially large cyber loss event could overstrain the industry, particularly because of the risk of downtime (business interruption). The geopolitical dimension of terrorism and future warfare over the Internet is also worrying. National security may be threatened by the disabling of critical infrastructure. Cyber security calls for international solutions, making equal demands on governments and the economy.

We keep our clients up to date on current issues with the publication of Risk & Insurance Insight, D&O Message, the Cyber Risk Survey Report and the Market View. Our Kessler Academy offers decision makers in business education and training on risk, insurance and pension fund issues.

Client satisfaction is our top priority. For the company, the divisions and each individual employee, it is top left in the balanced scorecard (BSC). Kessler was able to increase its client retention rate to a high level of 97.9% in the year under review. This is an excellent result given the competitive environment.

HANDOVER OF BUSINESS TO THE FOURTH GENERATION

In recent years, Christian Kessler and Tom Kessler have been well integrated into the company and have participated in management as members of the Executive Committee. At the end of August, we announced that Martin and Robert Kessler were transferring their company shares in Kessler & Co Inc. to their sons. Marsh maintains a 25% stake.

Christian Kessler and Tom Kessler now manage the company as equal Managing Partners. On January 1, 2019, Christian Kessler took over from Robert Kessler as Chair of the Executive Committee. In the future, it is planned for the chairmanship to alternate between Christian Kessler and Tom Kessler at three-

THEY WANTED TO
HAND OVER THE COMPANY
AT A TIME WHEN THEY
COULD STILL OFFER THEIR
FULL SUPPORT.

WE ACT AS THE MARSH NETWORK'S SWISS PARTNER AND SUPPORT SUBSIDIARIES OF FOREIGN COMPANIES IN SWITZERLAND.

with 65,000 employees in 130 countries and turnover of USD 14 billion. MMC is a Fortune 250 company and worldwide leading consultancy services provider in matters related to risk, strategy and human capital. In September, MMC announced that it had signed a takeover agreement with the Jardine Lloyd Thompson Group (JLT). With turnover of nearly GBP 1.4 billion, JLT is ranked the number seven global insurance broker. Integration work is underway, with a stronger focus expected in specialties, reinsurance and parts of the global network.

Marsh can report continuous growth and good operating results. The "Simplify Marsh" project was carried out to ensure fitness for the future. In this context, Edwin Charnaud, a long-standing and dedicated member of our Board of Directors, lost his position with Marsh and also withdrew from our Board. We owe Edwin our great thanks. Siegmund Fahrige, the CEO of Marsh Continental Europe, was elected to Kessler's Board of Directors as a new member. We are very pleased with his appointment, which further underlines the important relationship between Marsh and Kessler. With his many years of experience and his key position in the Marsh organization, Siegmund Fahrige will provide a valuable contribution to the positive development of Kessler.

Marsh and Kessler have an intense business relationship. We are working closely with European management and are represented in various specialist practice groups, where expertise and new

year intervals. The composition of the Board of Directors remains unchanged.

Robert and Martin Kessler are still associated with the company in client consultancy services and business development, and also as members of the Board of Directors. They wanted to hand over the company at a time when they could still offer their full support, just as their father Hans Kessler did in 1986.

MARSH AND MERCER

Marsh & McLennan Companies (MMC) comprises Marsh, Guy Carpenter, Mercer and Oliver Wyman and has been developing successfully for many years,



IN-DEPTH EXPERTISE, MANY YEARS OF EXPERIENCE AND CONSTANT EXCHANGE OF KNOWLEDGE ENABLE US TO DEVISE THE BEST POSSIBLE SOLUTIONS FOR OUR CLIENTS.



WE THINK AND ACT WITH A LONG-TERM PERSPECTIVE AND IN THE INTEREST OF OUR CLIENTS. THIS IS THE ONLY WAY TO ENSURE SECURITY AND MUTUAL TRUST.

innovative client solutions are discussed. We use the Marsh Network to provide local support to the foreign group companies of our multinational clients. We act as the Marsh Network's Swiss partner and support subsidiaries of foreign companies in Switzerland. We work on a daily basis with just under 70 Marsh offices worldwide. Thanks to the strength of the Swiss economy abroad, the business volume contributed to the Marsh Network exceeds that of incoming business.

We have put new rules in place for collaboration with Mercer in the framework of MMB Mercer Marsh Benefits and for other complementary business areas. Integration of the pension fund administration taken over by Mercer is underway. The merger has put Kessler Benefits in a different league, and we have gained further international expertise and development opportunities for staff.

EMPLOYEES

As at the end of 2018, Kessler had 275 employees in addition to six apprentices and interns and a number of temporary staff. This equates to 255 FTEs. Two-thirds of our staff work at head office in Zurich, just under 60 in Lausanne, 15 in Geneva, 15 in Berne and 10 in St. Gallen. One to three employees work in each of our regional offices in Aarau, Basel, Lucerne, Neuchâtel and Vaduz. 180 of our employees are entered in the FINMA register as independent insurance intermediaries.

180 OF OUR EMPLOYEES ARE ENTERED IN THE FINMA REGISTER AS INDEPENDENT INSURANCE INTERMEDIARIES.

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

Well-trained, motivated and trustworthy employees are the key to every service provider's success. Our education and training takes the form of on-the-job training and the attendance of internal and external courses. It is organizationally the responsibility of the Kessler Academy and covers the specialist fields of risk management, insurance and occupational benefits. It also embraces working technology, IT,

LIFE INSURERS ARE INCREASINGLY TRANSFERRING THE INVESTMENT RISK TO INSURED MEMBERS THROUGH SEMI-AUTONOMOUS SOLUTIONS.

languages, conducting negotiations, managing staff and personal development.

Our career model allows our top performers to fully exploit their abilities and make the most of professional opportunities. The strong weighting of performance-based remuneration has proven its worth in the sector.

INSURERS

On the whole, the collaboration with insurers can be described as good. As the market leader, we are recognized for our professional services, which not only relieve the pressure on clients, but also insurance companies. Insurers see their responsibilities

as providing underwriting and claims settlement services. Developing, supporting and advising medium-sized and large commercial clients are down to the professional insurance broker. This represents a well-coordinated and efficient division of labor that benefits clients.

The global insurance industry was again affected by major natural catastrophes in all regions of the world in 2018. According to estimates by the major reinsurers, the global insurance industry had insured claims of USD 80 billion to settle (previous year: USD 135 billion). The devastating forest fires in California were a shock, costing many human lives and leading to losses in the tens of billions.

In Switzerland, on the other hand, there is still a customer-friendly environment for property and liability insurance. Only the premiums for natural catastrophe cover are rising in the wake of major global losses, and for D&O we are observing an increasingly tough market abroad. In personal insurance, the market is difficult. Daily sickness benefits insurers are consistently restructuring policies with poor claims histories. Insurers are also feeling the effects of the challenging market environment. We are called upon as brokers in the case of larger losses, but these can only be handled appropriately after tough negotiations.

However, the greatest problems for insurance companies are low interest rates and low investment income. Life insurers are increasingly transferring

the investment risk to insured members through semi-autonomous solutions. AXA, one of the market leaders, announced in the spring that it would withdraw from full BVG coverage at the start of 2019. Full BVG coverage is now only offered by five insurers, and generally only for smaller companies and younger workforces.

In the main, the results of insurers developed encouragingly. Credit rating is the top criterion of our placement policy. Our Market Security Committee (MSC) monitors risk carriers, i.e. insurers and pension foundations. We are working in close partnership with our colleagues at Marsh. The solvency of insurers licensed in Switzerland has been stable.

OUTLOOK AND THANKS

The claim of our family company is "A secure future." There is widespread recognition of our position as the leading Swiss company for risk, insurance and pensions advice in terms of quality, reputation, size and earnings. As the Swiss partner in the worldwide Marsh Network, we are also well placed internationally.

The fierce competition in insurance will further enhance the margin pressure for insurance companies and brokers. It is important to take advantage of digitalization and work in a quicker, simpler and more innovative way.

We are pleased about the handover of the business from the third to the fourth generation. This represents an important step in every family firm. Our services continue to be in demand. We are an experienced, motivated and stable team that is well positioned for the future.

We would like to thank our clients, partners and employees for the effective and trusting collaboration over the past year. Everyone has played their part in the success of Kessler.

IT IS IMPORTANT TO TAKE ADVANTAGE OF DIGITALIZATION AND WORK IN A SIMPLER AND MORE INNOVATIVE WAY.

MANAGEMENT SEMINAR OLTEN 2018



MANAGEMENT SEMINAR IN OLTEN, SEPTEMBER 2018

Once a year, Kessler's executive staff meet for closed-door meeting. In 2018 the meeting took place in Olten and was dedicated to the topic "Fit for the next 100 years."

1 Kurt Vogel, 2 Claudio Roa, 3 Werner Moser, 4 Christian Kessler, 5 Stefan Leuenberger, 6 Pascal Schweingruber, 7 Samuel Egger, 8 Rüdiger Nickelsen, 9 Silvano Di Felice, 10 Peter Kadar, 11 Roger Konrad, 12 Markus Singer, 13 Sandra Müller, 14 Robert Kessler, 15 Ziliane Mariotti, 16 Riccardo Tondo, 17 Christian Brinkmann, 18 Heinrich Wolf, 19 Werner Niederberger, 20 Peter Dürig, 21 Cécile Baptiste, 22 Sylvain Zuber, 23 Christophe Tribolet, 24 Hans-Christian Süß, 25 André Scheidt, 26 Mario Vegetti, 27 Roy Hildebrand, 28 Jürg Spescha, 29 Dominik Grond, 30 Gerhard Niederhauser, 31 Ronald Flükiger, 32 Tom Kessler, 33 Simon Künzler, 34 Urs Sommer, 35 Douglas Müller, 36 Kaspar Geilinger, 37 Bernard Perritaz, 38 Edwin Krebs, 39 Urs Huber, 40 Christian Peters, 41 Marijana Pfeiffer, 42 Katja Wodiunig, 43 Yves Krismer, 44 Martin Rohrbach, 45 Emmanuel Anrig, 46 Rolf Wenzl, 47 Beatrix Bock, 48 Klaus Peretti, 49 Andreas Stocker, 50 Stéphane Etter, 51 Helmut Studer.

INTERVIEW

WELL POSITIONED WITH EXCELLENT PROSPECTS



Christian Kessler and Tom Kessler took over management of the company this year and now jointly lead Kessler as Managing Partners – a milestone in the history of the family firm. They discussed their new role in an interview.

Tom Kessler (TK): In August 2018, we announced the handover of the business from the third to the fourth generation. It was a wonderful moment for us, with our family having worked towards this goal for many years.

Christian Kessler (CK): I can still clearly recall my first day at Kessler. I had just come back from my honeymoon in Asia – this was in 2012. Everything I learned at Kessler back then made me very confident about the future. We are fortunate to have interesting and satisfied clients, a great team and a reliable network partner in Marsh.

TK: Those were important and formative years in which Christian and I came to know and appreciate the business, as well as our clients, Marsh and the various insurers as stakeholders in our company. Our employees are essential for the satisfaction of these three stakeholders. They stand behind the company and our philosophy, for which we are very grateful. We aim to be a fair partner and commit fully to our engagement with clients. But we also have fun with each other and take pleasure in our work. This provides for excellent prospects.

CK: We operate in an increasingly fast-moving and complex environment. Our clients are exposed to new and unknown risks. But such challenges always come with opportunities, as well. That's where we see our role in the future. We want to help companies recognize and handle new and existing risks, and act as a strong and reliable partner for them in contractual and claims negotiations.

TK: Kessler is well positioned to tackle the challenges it faces. However, digitalization will radically change the insurance sector and the way insurance contracts are concluded. We are therefore investing in more efficient processes with insurers and in digital interfaces with clients. We are also reviewing the extent to which new technologies can allow us to develop new business areas.

CK: Tom and I are working to ensure that Kessler identifies new opportunities and continues its healthy development. With dedication, creativity and teamwork, we are confident of seizing the opportunities of the future.

A PERSONAL LOOK BACK AND A VIEW TO THE FUTURE AFTER 29 YEARS



DOUGLAS MÜLLER
Member of the Executive Committee

At Kessler, there is an unwritten rule that management roles should be passed to the younger generation at the age of 60, if possible. After 21 years on the Executive Committee, I will take that step at the end of 2019. A successful professional life also means passing the reins to your successors at the right time. I hope that they will give new emphasis to my values and thus grant them a certain sustainability. My decision is made easier by the many personally and professionally qualified candidates in our own ranks. They will offer our clients and colleagues change and continuity in equal measure.

REMARKABLE DEVELOPMENT

In 1990, Kessler employed 70 members of staff. I led the Services and Retail client segment with seven employees and one trainee. Two members of staff were responsible for pension fund consulting. Today, Kessler has 275 employees. In the area of occupational benefits, 27 consultants are responsible for collective foundation solutions and a further 27 oversee company-owned pension funds in the role of managing directors, administrators and accountants. Multifaceted specialist knowledge is needed to handle the choice of an organizational structure for a pension fund, measures in the face of falling income and conversion rates, the training of joint bodies, digital platforms and other matters. The closely intertwined areas of personal insurance (illness/accident) and human resources risk management (absence management / occupational health management) employ 31 and 4 members of staff respectively. In a market with rising premium rates, there is demand for alternative products, processes and prevention methods. Internationally active customers seek consultancy services in all three areas in the context of global benefits management.

The changing insurance market requires us to offer more interdisciplinary solutions. Kessler is excellently positioned and broadly supported in order to provide customers with conceptual, creative and cost-oriented advice. That's why I can approach my planning for new and unknown horizons starting in 2020 with a very good feeling and a sense of confidence.

BUSINESS DEVELOPMENT BECOMING A CLIENT OUT OF CONVICTION



HELMUT STUDER
Member of the Executive Committee

We gained further market share in 2018. Kessler's strength is founded on continual organic growth. All of our clients came to us out of conviction.

The concentration of medium-sized insurance brokers observed in recent years is also a consequence of the long-standing soft insurance market. Falling premiums also mean falling income. At the same time, clients are placing greater demands on professional risk, insurance and pension consultants. The necessary increase in efficiency through digitalization requires high levels of investment. This background situation offers the opportunity to achieve growth through the acquisition of insurance brokers.

Company takeovers are effective with the media and provide a feeling of dynamism and a forward-looking strategy.

SUCCESS THROUGH ORGANIC GROWTH

An alternative to company acquisition is organic growth. In contrast to growth through acquisitions, this is not usually trumpeted. Organic growth can seem boring or tedious at first glance, and it is also challenging. A company that delivers consistently high quality, that can count on a team with many years of experience and that has a high customer retention rate can grow organically. Appearing on the market with these qualities, a company can attract new clients who are not "sold" to a new owner as part of a portfolio, but confidently reach their own decisions.

Kessler achieved organic growth in 2018 that is roughly equivalent to the turnover of an insurance broker with 25 employees. And 2018 was not an exceptional year, but another in a long line. We are also interested in acquisitions as a complement to organic growth. But in my view, consistent success lies in stable, organic growth.

GLOBAL RISKS GROWTH AND INVESTMENT



ROGER KONRAD
Member of the Executive Committee

I am proud that, as a family firm, we have a low staff turnover compared with the rest of the industry despite undergoing changes. I am also pleased that we were able to create additional jobs in 2018 thanks to a successful business year – and have continued this trend in 2019. We were able to fill vacant positions with very good specialists and had a strong selection of candidates for every position. I was also delighted to see a number of former colleagues return to us.

INVESTMENT IN THE GLOBAL NETWORK

Global risks and challenges are as prevalent as ever. At the same time, there is a growing resistance in many parts of the world to globalization, which has increased economic inequality. According to the 14th (and most recent) edition of the WEF Global Risks

Report, this threatens to slow economic growth. Irrespective of political and national trends, our partner Marsh continues to invest in the global network.

SEAMLESS REPORTING

A new system with Marsh Global Connect will additionally unify all client and account team data and serve to simplify and standardize the management of global insurance systems. The aim is to reduce data entry by over 30% through optimization and digitization, thus ensuring quick and consistent communication. This will allow us to share all client information, create network instructions, collect insured sums, issue premium allocations and provide seamless reporting for clients.

GLOBAL REINFORCEMENT FROM JLT

The acquisition of Jardine Lloyd Thompson (JLT) will serve to strengthen Marsh & McLennan globally, especially in Asia and Europe. JLT is strong in specialty business. Thanks to consistent specialization in individual industries, the company has sector-specific expertise and thus operates very successfully in the market. It represents an excellent addition for the global market leader.

SPECIAL RISKS A SUCCESSFUL YEAR



PASCAL SCHWEINGRUBER
Member of the Executive Committee

The Special Risks business area had a successful year. All risk practices were successfully positioned and further developed. In Financial Lines, we have been through a maturing process of many years. These services are among the cornerstones of risk advisory for all client sectors and sizes. The newer practices “Private Equity and M&A” and “Credit & Political Risks” established themselves well, and were once again able to secure interesting financing deals domestically and abroad. In addition to our expertise, experience and determination, we believe that the continuity of our employees is a key success factor.

The correct handling of cyber risks was also one of the core issues in consulting in 2018. To this end, we further strengthened our skills and now also cover the quantification of operational cyber risks. Benchmarks were a major topic in client discussions. As a contribution to the dialogue, we have been producing the Kessler Cyber Risk Survey for a number of years. 387 Swiss companies participated in the 2019 edition, which was very pleasing.

SWITZERLAND AS A COMPETITIVE LOCATION

In my new role on the Executive Committee, I work to ensure that Switzerland as a competitive location is made fit for the future. A key topic is the efficient processing of individual transactions and secure data exchange. We in the insurance industry essentially understand how insurance transactions can be handled efficiently and securely. But it's a rocky road to reach that goal. The biggest problem is not technology; rather, the situation is complicated by numerous stakeholders with partly divergent interests. The IGB2B, a joint venture of insurers and brokers, is in our opinion the most promising platform for bundling specific interests and developing solutions for the market. As a major market player with Swiss roots, we feel committed to the market and will remain strongly engaged here.

WESTERN SWITZERLAND THE THREE DIMENSIONS OF CUSTOMER PROXIMITY



BERNARD PERRITAZ
Member of the Executive Committee

We are close to our customers. But what does customer proximity mean? Probably the most obvious dimension is that of geographic and cultural proximity. As a Swiss company, we are present throughout the country, and in western Switzerland we are represented in Lausanne, Geneva and Neuchâtel. However, many of our 80 employees live in other cantons. We are therefore naturally close to all of our clients, from Central Valais to Fribourg, Biel/Bienne and the Ajoie. And that's why we can't all support the same hockey club! There is also the international aspect, with an increasingly globalized economic structure.

EXPERTISE AND EXPERIENCE

Our activities enable us to guarantee the second dimension of customer proximity through our expertise and experience in the areas of risk, insurance and pensions. Our transport insurance specialists naturally understand the needs of logistics managers, while our personal insurance experts speak the same language as the HR teams.

SPECIAL INDUSTRY KNOWLEDGE

The third dimension of customer proximity lies in our ability to specialize in the industry of our clients. It is often crucial to be able to speak with a partner who knows all of the characteristics and challenges of a particular industry. This includes the provision of relevant benchmarks and the experience gained in handling claims. Such specialization represents a challenge that we tackle with flexible structures and ad hoc teams.

When asked to describe the organization of Kessler, I like to present a customer organizational chart (team chart), which clearly shows how we are really organized. Kessler's cornerstones are our agile structure and collective intelligence. Does this mean our company organization is based on holacracy? No, certainly not in the strict sense of the concept, but in terms of its practical application, which is strongly customer-oriented.

RISK CONSULTING HOLISTIC CYBER SYSTEM REINFORCEMENT



SIMON KÜNZLER
Director Risk Consulting Inc.

When it comes to cyber security, two issues dominate: the technical defense measures of cyber security and insurance. While there are specific cyber policies on the insurance market that guarantee a fairly comprehensive scope of cover, such measures are not sufficient to optimize cyber resilience. In discussions with company representatives, I regularly observe that there is a great deal of uncertainty as to how this risk should be classified in a company-specific way. The following questions arise: How is the effective risk exposure to be assessed? And what effective levers for sustainable action are there?

RISK CONSULTING PROJECTS FOR CYBER SECURITY

On this basis, with my Practice Leader for Business Resilience, I have developed a service that takes a holistic view of the topic from a business perspective. Following conceptual preparatory measures, we launched this service in 2018 and successfully completed our first projects. Demand is very high. Workshops with company representatives are a core element of the projects. As part of a qualified risk dialogue, we work with representatives from IT, finance, operational management and the legal sector to prepare the cyber risk landscape. Human Resources is also involved, as employees must ultimately be part of any cyber system that is put in place. Thanks to our connection with the Marsh Network, we also integrate meaningful benchmark tools and data into the project setups, so as to supply our clients with unique additional information for risk assessment.

In the end, a risk consulting project of this type results in a catalogue of preventive and reactive measures in addition to a more precise risk assessment. These enable the company to continuously strengthen its cyber system and thus minimize the risk of cyber incidents and their effects.

KESSLER BENEFITS INC.

THE FUTURE OF OCCUPATIONAL BENEFITS

SITES



STÉPHANE ETTER
Director Kessler Benefits Inc.

Demographic imbalances, falling yields and a declining conversion rate could make us pessimistic, but I don't feel that way. The mandatory system introduced in 1985 has proven its worth. The total assets under management come to nearly 1,000 billion, or 1.5 times the Swiss GDP. Most pensioners can live in dignity with OASI and 2nd pillar benefits. This is by no means the case in all industrialized countries.

As Director of Kessler Benefits, I am confident about the future of the 2nd pillar. I aim to position the company in Switzerland as a leading service provider for pension fund management. We are large enough to satisfy the growing requirements.

We want to support our clients and provide objective advice on organizational structures and planning changes.

Two years ago, we introduced electronic document management. Several auditors of our pension funds audited the financial statements at the end of 2017 purely electronically. New technologies will continue to change the way in which pension funds are managed: insured persons will access their retirement savings account online, simulate purchases or wage changes themselves and view their pension statement electronically.

FUND MANAGERS REMAIN CRUCIAL

Despite digitalization, I still view fund managers as key, as they remain the first point for contact for our clients. I therefore prioritize training for our employees so that they have the tools necessary to answer all questions related to occupational benefits.

Following the failure of the 2020 Pension Reforms proposal, the 2nd pillar must be adapted so that the benefits of insured persons do not fall too sharply. As a service provider, we also pay attention to the invoiced costs. We are therefore continuously improving our efficiency, in particular by having a single point of contact who acts as the internal manager of the pension fund.

OUR SITES

ZURICH (HEAD OFFICE)

Forchstrasse 95
CH-8032 Zurich
T +41 44 387 87 11

AARAU

Rohrerstrasse 102
CH-5000 Aarau
T +41 62 825 05 05

BASEL

Freie Strasse 35
CH-4001 Basel
T +41 61 263 20 01

BERNE

Talstrasse 7
CH-3053 Münchenbuchsee
T +41 31 858 30 30

LUCERNE

Habsburgerstrasse 12
CH-6003 Lucerne
T +41 41 410 96 66

ST. GALLEN

Fürstenlandstrasse 101
CH-9014 St. Gallen
T +41 71 224 92 24

VADUZ

Josef Rheinberger Strasse 6
LI-9490 Vaduz
T +423 231 32 32

GENEVA

Avenue des Morgines 8
CH-1213 Petit-Lancy
+41 22 707 45 00

LAUSANNE

Rue Pépinet 1
CH-1002 Lausanne
T +41 21 321 60 30

NEUCHÂTEL

Rue J.-L.-Pourtalès 1
CH-2000 Neuchâtel
T +41 32 724 83 50

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EDITORS

Pascal Schweingruber,
Natalie Kolb

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KESSLER & CO Inc.
Forchstrasse 95
P.O.Box
CH-8032 Zurich
T +41 44 387 87 11
www.kessler.ch

 **MARSH Network**