



# RISK & INSURANCE INSIGHT 2022



A SECURE FUTURE.

# AT A GLANCE

Kessler is the leading Swiss enterprise specializing in comprehensive risk, insurance and pension benefits. We advise over 1,000 medium-sized and large Swiss companies from the service, trading and manufacturing industries, as well as the public sector. Thanks to our expertise in each of these economic areas, the dedication of our highly qualified staff and our leading market position, our customers can benefit from the best possible solutions and optimized risk costs. This enables us to make a significant contribution to their long-term success.

## IN PICTURES

We're here when you need us.

In this issue, you can get to know some of the employees who are committed to working hard each day to ensure our customers' long-term success.

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TOM KESSLER

CHRISTIAN KESSLER

## EDITORIAL

Dear clients, partners, employees and friends of Kessler,

Once again, the coronavirus pandemic continued to dominate our daily lives in the last year. As a society, we made key progress in our approach to dealing with the virus. We have learned to be flexible and stick to our plans and objectives in spite of everything. However, in the midst of this, we must keep global environmental, technological and geopolitical risks in mind. Extreme weather events, cyber risks as well as political and – sadly - military conflicts, such as the tragic events unfolding in Ukraine, will all continue to pose a challenge to our society and economy.

The Swiss economy has, for the most part, managed to recover after the shock of the previous year, but now is the time to develop sustainable solutions to key political issues. These include our relationship with the EU and the reform of our pension system. Insurance markets in Switzerland and around the world continued to harden in 2021. This saw special demand for our employees to represent and enforce the justified interests of our clients.

Despite this challenging environment, Kessler looks back on a successful year. We achieved a record-high client retention rate of 98.5% and continued to grow in our market segment. We solidified our position as the leading Swiss enterprise in risk management, insurance and pension benefits consulting.

“A secure future.” That is the slogan of our family business. We are joined on this path by loyal clients, business partners, dedicated employees and a strong management team. We are well equipped for the future. We offer our clients a reliable partnership, and we extend this offering around the world in our role as Swiss partner in the global Marsh Network.

Thank you very much for your trust and cooperation.

Tom Kessler  
Managing Partner

Christian Kessler  
Managing Partner

# INTERVIEW

## A POSITIVE ASSESSMENT AND AN OUTLOOK THAT INSPIRES HOPE.



TOM KESSLER AND CHRISTIAN KESSLER  
Managing Partners

**The year 2021 was challenging. The coronavirus pandemic weighed heavy on the world once again last year, leaving a permanent mark on the economy and society. This, combined with a hard insurance market, required a lot of flexibility, adaptability and commitment on the part of Kessler in its dealings with clients. Our employees were able to sidestep this tension and have gone to extraordinary lengths for our clients. Managing Partners Tom Kessler and Christian Kessler take stock and look to the future.**

Like 2020, 2021 was a year shaped by the pandemic. How has day-to-day work changed compared with the previous year and what challenges did you face?

**Tom Kessler (tk):** Since fall 2020 we have seen various different phases, the first of which saw measures eased before the infection rate increased and stricter measures had to be introduced again. For instance, this included the government requirement to work from home in spring 2021 and winter 2021/22. This required a lot of flexibility and resilience within the organization and from individuals. It was not easy to adapt to the changing conditions and measures.

**Christian Kessler (ck):** Measures to curb COVID-19 remained in place in various forms throughout 2021 and once again led to an intense and challenging year. In summary, we can say that, as a community and with vaccines now available, we have made critical progress in dealing with COVID-19 and the economy has now largely recovered. This is attributable in part to Switzerland's stability, a well-developed healthcare system and the comparatively pragmatic approach of the country's politics, society and economy.

**tk:** The coronavirus pandemic has permanently changed the way we work. Here at Kessler we want to keep the positive aspects of this change in place. That includes the advantages of working from home and videoconferencing. At the same time, face-to-face contact with our clients and among our employees remains essential. When interacting with clients and as part of a team, our best performances are achieved through physical exchanges. This is of vital importance to the company's culture and team spirit.

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**“WHEN INTERACTING WITH CLIENTS AND AS PART OF A TEAM, OUR BEST PERFORMANCES ARE ACHIEVED THROUGH PHYSICAL EXCHANGES.”**

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# INTERVIEW

How have clients coped with the situation?

**ck:** Every client is in a different situation. For instance, our clients from the aviation, hotel, and travel and events industries were more heavily – or at least differently – impacted by the measures taken to halt the spread of the virus than our clients from retail and industry or the healthcare sector. There were some common issues, however.

**tk:** Latest since the outbreak of the pandemic, the insurance market has hardened in almost all lines of insurance. This was amplified again in 2021. In some cases, the effects were reflected in significant reductions in available insurance capacity, coverage restrictions, premium increases and greater information requirements on the part of insurers.

**ck:** Another challenge faced by many of our clients was supply chain disruption and with it a general uncertainty surrounding planning, due to rising transport costs, delivery delays and the availability of goods.

**tk:** Something we noticed with almost all of our clients was a greater awareness of cyber risks. The need for working from home further accentuated these risks. Unfortunately, more and more clients are being affected by cyberattacks. Given this, our specialists were in high demand, with clients requiring support with risk analysis and quantification and finding solutions from the insurance market. In any case, it is important to actively man-

age cyber risks. In addition to a potential transfer of risk, investment in preventive measures in the form of an effective cyber security setup is especially important.

You mentioned the hard insurance market; how did this come about?

**ck:** Initially it was primarily international property insurance programs, complex risk placements and special risks in general, such as directors' and officers' liability insurance (D&O), fidelity insurance and cyber insurance that were affected. The hard market then spread into almost all lines of insurance, both nationally and internationally. We are also seeing a trend whereby ensuring the legitimate claims of our clients involves intense negotiation

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“LATEST SINCE THE OUTBREAK OF THE PANDEMIC, THE INSURANCE MARKET HAS HARDENED IN ALMOST ALL LINES OF INSURANCE.”

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– particularly where large and complex claims are concerned.

**tk:** In personal insurance, we have been faced with a difficult market environment for more than five years now. This intensified again in 2021. Some companies are faced with major challenges when it comes to securing adequate risk cover in the field of illness and accident. This meant all the more demand for our advice on preventative measures, risk reduction and alternative risk financing models.

**ck:** In the case of pension benefits, we noticed a continuation of the trend from previous years. Life insurers are grappling with historically low interest rates that are unlikely to change in Switzerland any time soon. As a result of this, we are also seeing a continued shift from full insurance to semi-autonomous solutions. At the same time, there is a shift from autonomous to semi-autonomous pension funds.

How has Kessler fared? What is your assessment and what do you see around the corner?

**tk:** Our foremost objective here at Kessler is client satisfaction. We are performing well on that front. Our customer retention rate has reached a historic high of 98.5%. As well as all these satisfied clients, we are also buoyed by the rate at which we have won over new clients with our service. This shows how much clients value the support of our risk, insurance and pensions advisors in these challenging times faced with a fast-changing risk environment.

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“OUR FOREMOST OBJECTIVE HERE AT KESSLER IS CLIENT SATISFACTION. WE ARE PERFORMING WELL ON THAT FRONT.”

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**ck:** Success is not a given. It takes considerable commitment, reliability and client focus from all employees in the company – day in, day out, all year round. We would like to take this opportunity to thank all those involved for their fantastic dedication.

**tk:** We really appreciated the mutual support in this challenging environment – especially since the pressure on the organization was so great. Here, I am referring to the (at times difficult) negotiations with our insurance partners and the justifiably high expectations of our clients. This called for lots of flexibility and extraordinary commitment. That is why it was so important that colleagues actively supported one another across departments and locations.

**ck:** This successful run of business is something we want to continue in future. With that in mind, we have set ourselves ambitious objectives again this year. This will require investment in powerful systems and efficient processes. For instance, we want to trans-

form our core in-house system and completely overhaul our client portal; but our key priority will be to hire additional client advisors and specialists so we can continue to offer our clients the best service. We have also approved more than 20 new jobs specifically because of the challenging insurance market.

tk: We are optimistic about the future. We can rely on a strong team that is dedicated to meeting the needs of our clients. The fact that we as a company and Switzerland as a business location are emerging stronger from the coronavirus crisis is another reason to be optimistic. This has only added to our determination to pursue the opportunities presented to us.

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# ANNUAL REPORT



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

ROBERT KESSLER  
Chairman of the Board of Directors

In 2021, we saw the global COVID-19 pandemic enter its second year. In March 2020, the world was launched into a crisis for which it was relatively unprepared. In a global effort to contain the virus, hard and long lockdowns were imposed in countries across the world. Governments intervened on an unprecedented scale to prevent an economic crisis with vast unemployment. With the new vaccines, in particular the new mRNA technology, we had hoped for a rapid improvement in 2021. After initial short supply and the ensuing struggles over the vaccine, the Western world was soon saturated with doses. Unfortunately, the vaccination rate remained below expectations, including in Switzerland. In many European cities, anti-vaxxers demonstrated against various government measures.

## CORONAVIRUS PANDEMIC

The Swiss Federal Council, generally in consultation with the cantons, acted relatively liberally compared with the rest of Europe. Ski resorts stayed open both winters. The travel and events sector and the city-center hotels dependent on international tourism were hit hard. The Delta variant dominated for a long time. In particular, unvaccinated individuals contracting COVID-19 faced a greater risk of requiring hospital treatment, including admission to intensive care units. In late fall, a new variant emerged from South Africa in the form of Omicron. While this virus variant is more infectious, the symptoms tend to be milder. In the meantime, more and more Swiss people have either been vaccinated three times with booster shots or have recovered from infection. For 2022, there is a glimmer of hope on the horizon that suggests that the worst of the pandemic could be over.

The insurance industry was hit hard by the pandemic. Global insurance damages caused by the coronavirus pandemic are estimated at around USD 44 billion, making it the third most expensive event after Hurricane Katrina in 2005 and the 9/11 terror attacks in 2001. Not only did insurers pay out on specific epidemic or pandemic cover, but often via silent coverage too, that is to say where no sufficient coverage exclusion clauses were included in traditional all-risk coverage, in accordance with court rulings. Outside of life, health and travel insurance, private insurance covering a global pandemic will be very limited and, at best, event-based. Efforts are underway at the federal level to use a public-private partnership involving insurers, policyholders and the state to create pandemic insurance. A lack of support from the corporate sector has called a halt to these efforts for the time being.



“WE ARE FAMILIAR WITH THE SPECIFICS OF THE VARIOUS INDUSTRIES AND SECTORS, THEY ARE EXPERTS ON THE INDIVIDUAL RISK THEMES.”

#### CYBER RISKS AND OTHER GLOBAL RISKS

Cyber risks have emerged as a very real threat for almost all companies and organizations around the world. It is not just IT departments that have a role to play – leadership and general awareness among employees are equally important. Dependency on a functioning internet connection and reliable email system has risen significantly. Cyberattacks with ransomware (ransom demands) seem to be a lucrative criminal business model.

Even more important than a functioning IT setup is access to a disruption-free electricity grid. Power shortages used to be more of an issue in developing countries, but this might be a realistic possibility for Switzerland in a few years, since we are not currently

welcome in the European electricity network. Equally significant are the geopolitical risks (the dispute over Taiwan, the Russian invasion of Ukraine and the associated influx of refugees, etc.), the impending trade war between the USA and China, continued migration flows or high national debts with a trend towards uncontrolled increasing inflation. Familiar risks include potential natural disasters, such as a massive volcanic eruption or an earthquake in Japan or California.

The last few years have seen humanity realize the extent of the challenge and risks posed by the consequences of global warming and the demands for extensive sustainability (including circular economy and biodiversity) for our planet. Corporate social

responsibility (CSR) and environmental, social and governance (ESG) policies are now huge trends. The sustainability initiatives for the planet are set out in the United Nations Global Compact, consisting of 17 Sustainable Development Goals (SDGs). Kessler is active in this area too and has laid foundations for these SDGs. Based on an ESG materiality analysis, we have decided to focus on SDG 3 (Good Health and Well-being), SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action). Among other things, we also recently implemented a written code of conduct and guidelines for sustainable procurement. We are in the course of joining the STI (Swiss Triple Impact) Directory, an initiative run in collaboration with B Lab Switzerland. Alongside this, in spring 2021, we were asked by one of our major clients via Ecovadis to document our activities in the field of sustainability. We are happy to report that we achieved the required score. However, extensive work awaits us and the company as a whole in the field of ESG. In order to support the new wave of ESG, we, as a leading broker, want to be able to evaluate insurers and collective foundations (suppliers) based on uniform ESG criteria too so we can then include this rating in our tender process and in our quote comparison for customers. This could be used as a basis for facilitating constructive discussion and subsequent action.

#### POLITICAL AND ECONOMIC ENVIRONMENT

A tragedy struck Europe just before Insight went to press: Russian President Vladimir Putin ordered a military invasion of the neighboring independent state of Ukraine. The result of this aggression is still unknown, but it will surely reverse Ukraine’s positive growth, and we expect refugees to stream westward. In economic terms, Switzerland will also be affected by these events.

“WE ALSO RECENTLY IMPLEMENTED A WRITTEN CODE OF CONDUCT AND GUIDELINES FOR SUSTAINABLE PROCUREMENT.”

The year 2021 was a good year for most Swiss companies, in spite of the pandemic and the strong Swiss franc. The key political differences between the EU and Switzerland lie in the protection of wages, the EU Citizens’ Rights Directive and state aid. After the Swiss Federal Council suspended negotiations over an institutional framework agreement in Brussels in May 2021, the political climate with the EU deteriorated. The first effects are already becoming apparent in the Horizon research program, the incomplete electricity agreement and the approval requirements



for the medtech sector. During Swiss Federal Council member Ignazio Cassis' visit to Brussels, Maroš Šefčovič (Vice-President of the European Commission) explained that the time had come for Switzerland to decide what it wanted. At the moment, it remains unclear how we can continue on this bilateral route that is so important to Switzerland.

Switzerland faces further challenges in the form of requirements stipulated by the OECD to impose a corporate profit tax of at least 15%. Certain cantons will be impacted heavily by this. Due to a necessary constitutional change, we are unlikely to be ready in 2023.

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**"AT THE MOMENT, IT REMAINS UNCLEAR HOW WE CAN CONTINUE ON THIS BILATERAL ROUTE THAT IS SO IMPORTANT TO SWITZERLAND."**

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Following a 2.4% decline in gross domestic product (GDP) in 2020, the Swiss Economic Institute (KOF) projects annual growth of 3.6% in 2021 and 3.0% in 2022. According to the State Secretariat for Economic Affairs (SECO), unemployment fell from 3.5% in December 2020 to 2.6% in December 2021. Infla-

tion rose to 1.5% in the period from December 2020 to December 2021; the annual average for 2021 was +0.6%, compared to -0.7% in the previous year. Cumulative inflation has been at zero for 11 years.

The Swiss National Bank is also charging a negative interest rate of -0.75% on credit balances. Retail banks are increasingly passing this (or a similar negative interest rate) on to their customers, generally with reduced free limits.

According to the latest figures published by FINMA in December 2021, 17,400 insurance intermediaries are listed in the FINMA register. Some 2,100 of these are legal entities (AG, GmbH and so on) and 15,300 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 6,900 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 cutthroat competition is rampant. Significant consolidation within the sector has been under way for years now. While, globally, Aon's acquisition of Willis fell through, in Switzerland there is clear consolidation. Approximately 25 brokerage firms have 20 or more employees, and 12 of these firms have more than 50 employees.



**"WE DEVELOP TAILORED INSURANCE SOLUTIONS."**



“AS THE SWISS PARTNER OF MARSH, WE ARE ABLE TO SUPPORT OUR CUSTOMERS WORLDWIDE.”

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. SIBA Vice-President Martin Kessler continues to oversee the regulatory aspects.

#### REGULATORY FRAMEWORK

The reforms backlog in retirement provision, in both the first and second pillars, is a cause for concern. The Swiss Parliament focused on the Old-Age and Survivors' Insurance (OASI) in 2021. Parliament pas-

sed the OASI 21 reform shortly before Christmas. The retirement age for women will be gradually increased to 65, and corresponding compensation offered. VAT will increase by 0.7%. This would see benefits secured until 2030 for the time being. The referendum period is set to run until April 7, 2020.

Redistribution in the second pillar to the detriment of active policyholders is huge. Given the good trading year in 2021 and the often high interest rates applied to retirement credits to employees (6% at Kessler), this annual pensioner subsidy was alleviated slightly. At 6.8%, it is clear to all that the conversion rate in the obligatory BVG part is too high. Back 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' Association) 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. No political agreement could be reached on a reform package.

The revised Insurance Contract Act (ICA) entered into force on January 1, 2022. 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.

On December 13, 2021, the Council of States dealt with the partial revision of the Insurance Oversight Act (IOA) in its capacity as the second chamber. At the request of the Economic Affairs and Taxation Committee of the Council of States (WAK-SR), the Council of States largely upheld the resolution of the National Council of May 3, 2021, but with one change of significance for us: the reintroduction of the ombudsman's office for unaffiliated insurance brokers, which was withdrawn by the National Council. The differences are set to be reconciled by the National Council in the 2022 spring session. SIBA has voiced its strong support for the founding of a voluntary

private ombudsman's office. Requirements for insurance brokers as regards good reputation and assurance will be increased. Strict abuse oversight is to be implemented by FINMA and new obligations put in place for initial and further training and for the disclosure of compensation received by the unaffiliated broker. SIBA is collaborating in working groups on the modification of the Insurance Oversight Ordinance (IOO) and to defend itself against hugely excessive reporting obligations to FINMA. Entry into force in the course of 2023 seems possible.

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**“REDISTRIBUTION IN THE SECOND PILLAR TO THE DETRIMENT OF ACTIVE POLICY-HOLDERS IS HUGE.”**

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The message regarding “modernization of the supervision of OASI” in Article 69 E-BVG is intended to give the Federal Council the regulatory competence to determine the conditions under which pension funds may pay fees for the mediation of pensions business. The bill is clearly aimed at a ban on commission for brokers in the second pillar. SIBA was consulted. After the Social Security and Health Committee (SSHC) of the Council of States opposed the new regulation by 9 votes to 4, followed by the

Council of States with a two-thirds majority, it was also rejected in November by the SSHC of the National Council by 16 votes to 9. The bill will be sent to the National Council in spring 2022.

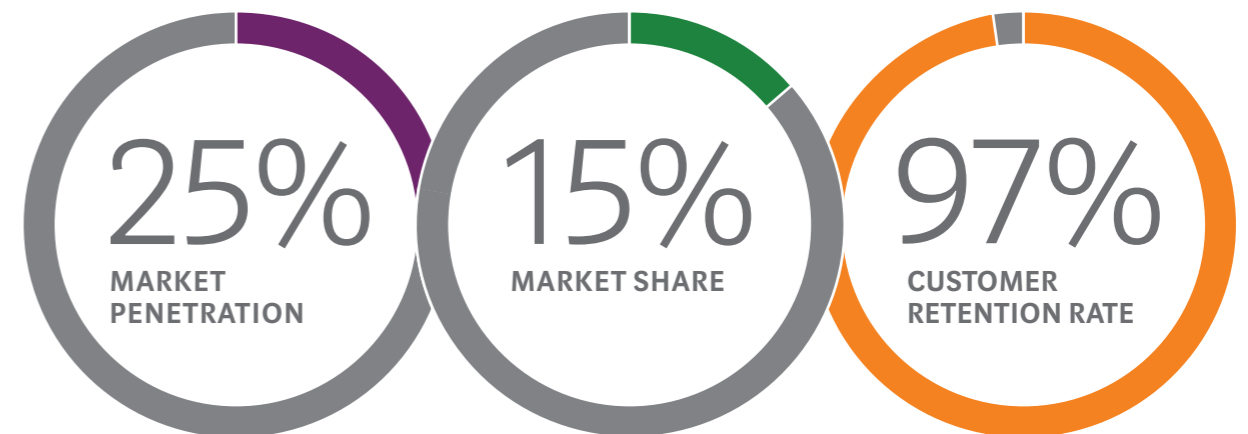
#### CLIENTS AND SERVICES

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

We provide comprehensive consulting services in the areas of risk management, insurance and pension benefits. 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, our client tool for accessing all global risk and insurance data, which is updated on a daily basis, is undergoing a complete redesign and transformation.

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

“WE HELP OUR CLIENTS DEVELOP A RISK AND INSURANCE MANAGEMENT POLICY.”



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.

this segment, measured in terms of commission/fee income, to be 15%.

To keep our clients up to date, as was the case last year, we will be publishing the Risk & Insurance Insight, the D&O Message, the Cyber Risk & Insurance Report and the Market View. We were able to hold some in-person events in the second year of the pandemic. These included the Kessler Academy in German- and French-speaking Switzerland.

Client satisfaction is the highest priority for our company, for every division and for every single employee. We achieved a record customer retention rate of 98.5%.

#### MARSH & MCLENNAN

Marsh & McLennan Companies (MMC) celebrated its 150th anniversary in 2021. In addition to a new logo, it rebranded itself as Marsh McLennan (without the ampersand and without “Companies”). The four businesses, Marsh, Guy Carpenter, Mercer and

Oliver Wyman, and their 81,000 employees present in more than 130 countries and a turnover of USD 19.8 billion are increasingly presenting themselves as one company. Synergies in logistics, finances, HR and more have already been capitalized on. The former MCS Multinational Client Services division now goes by the name of Marsh Multinational.

Siegmund Fahrig, CEO of Marsh Continental Europe, is an active member of 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. Christian Kessler regularly takes part in the CEO call with Flavio Piccolomini (President of Marsh International). Samuel Lisse has replaced Elaine Casaprima as Chief Country Officer of Swiss Businesses.

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.

#### EMPLOYEES

As of the end of 2021, Kessler had 300 employees as well as several apprentices and interns. This corresponds to 280 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. Sixty 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. One hundred ninety of our employees are listed in the FINMA register as independent insurance intermediaries. Due to the COVID-19 pandemic, 2021 was also characterized by a trend towards working from home at Kessler – a concept that went smoothly in the main.

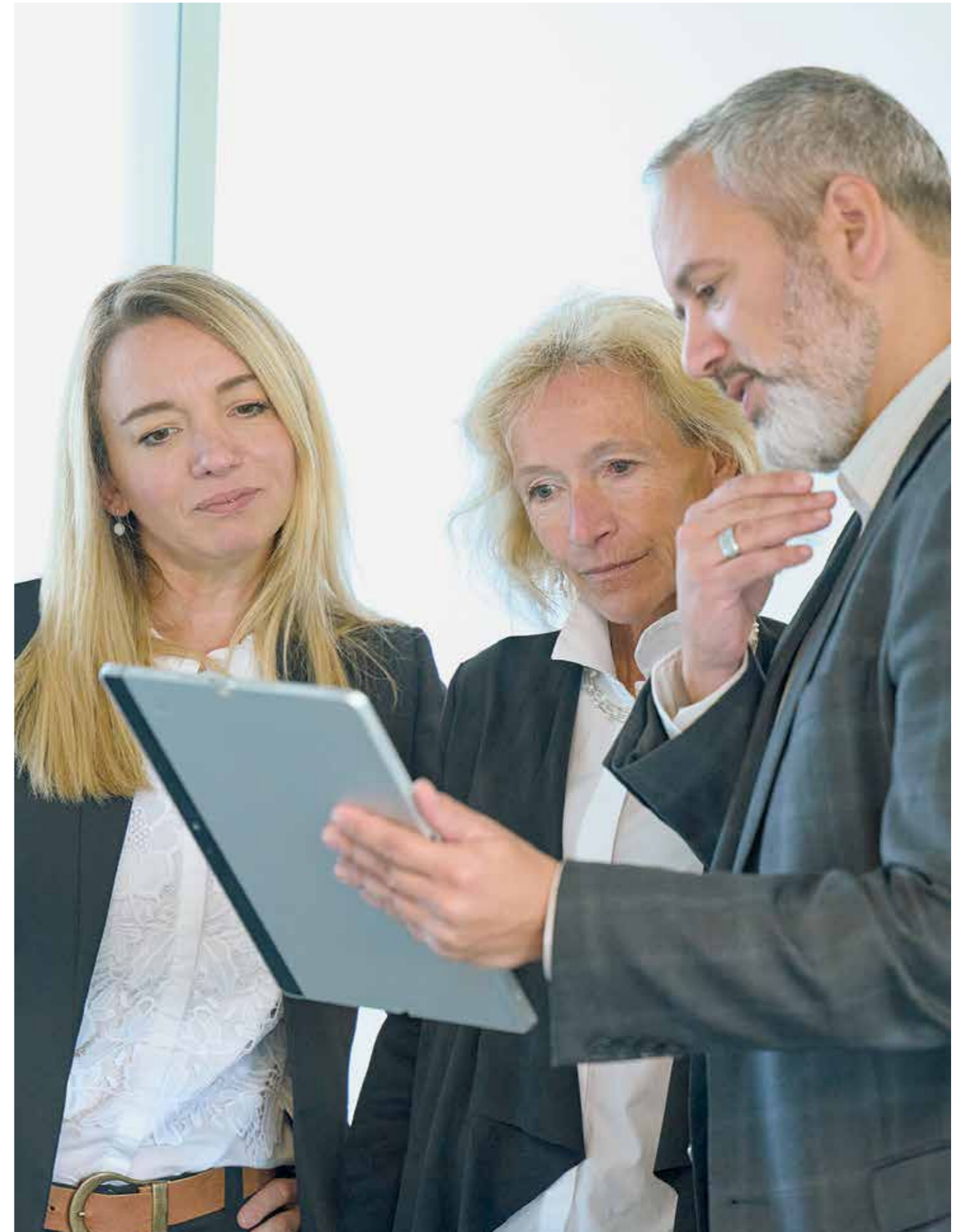
We use the Balanced Scorecard with the four dimensions of client results and market success, employee skills, effective business processes and financial success for goal setting and performance management at overall company level and in our client-facing activities.

Well-trained, motivated and trustworthy employees are the key to success for every service provider. We draw a distinction between specialist skills, social

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**“WELL-TRAINED, MOTIVATED AND TRUSTWORTHY EMPLOYEES ARE THE KEY TO SUCCESS FOR EVERY SERVICE PROVIDER.”**

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**“WE HELP YOU TO DEVELOP A RISK AND INSURANCE POLICY ACCORDING TO YOUR COMPANY'S SPECIFIC RISK PROFILE.”**



“OUR CLIENTS AND THEIR SECTOR-SPECIFIC NEEDS ARE THE FOCUS OF OUR DAILY WORK.”

#### 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

skills and methodological skills. Our client-driven corporate culture is characterized by the commitment and reliability of our employees. To foster this, we make the most of their potential, provide them with targeted training and development opportunities, and entrust them with responsibility. Our career model enables our top performers to fully leverage and develop their professional skills and opportunities.

The long-term average of our turnover rate remains below 9%. Upholding our strong corporate culture

proved challenging during the lockdown period. Our new digital applicant management tool has proven successful. The external appearance has been freshened up and web-based job advertisements are easy to post.

In light of a demanding market environment and positive growth, we increased capacity significantly in 2021 and above all in preparation for 2022. We hope to be able to quickly fill these newly created positions with motivated and well-qualified colleagues.



“WE ASSIST YOU IN CHOOSING THE ORGANIZATIONAL FORM OF YOUR OCCUPATIONAL PENSION PLANS, AND HELP YOU STRUCTURE THE PENSION BENEFITS.”

#### 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.

Insurers and reinsurers were hit hard by natural disasters in 2021. Swiss Re estimates globally insured catastrophe claims to be at USD 112 billion. This is

the fourth-highest figure (including Hurricane Ida, Storm Uri and the floods in Germany and Belgium).

The insurance market in Switzerland has become even harder. After accident and health insurance, we are witnessing premium surcharges and capacity and coverage restrictions in almost all lines of insurance. Considerable increases were seen in premiums for executive and professional liability risks, misappropriation and specifically cyber risks. Major and difficult risks sometimes require complicated vertical placements. The work of the specialist has become even more challenging, even if smaller risks benefit from our blue-line solutions. As brokers, we are increasingly being called on to handle larger

claims, which in turn can often 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 2021. 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.

#### ORGANIZATION

We are organized by client segments (industry practices) in Zurich and Lausanne and, since 2021, in Bern too. This structure ensures that our employees have industry-specific expertise. The Business Unit Heads, together with their client executives and 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 responsible for expansion measures with existing clients. We are a sales-driven company and aim to increase our sales capacity further. The three annual Kessler Growth Days proved successful. Marketing & Communications has 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.

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“CREDITWORTHINESS IS THE PRIMARY CRITERION OF OUR PLACEMENT POLICY.”

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In September 2020, we announced the takeover of City Broker in Bern. The integration of customers and employees in Münchenbuchsee took place according to schedule in January 2021. Given the growth in Bern, we pursued a customer-oriented allocation.

#### DIGITALIZATION AND IT

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 seven employees and a number of external specialists. The mandatory switch to working from home with laptops and VPN connections went very well. In 2021, we switched to VoIP (Voice over IP) for phone calls. While this system provides us with added flexibility, it is more complex to handle and operate.

The redevelopment of KesslerOnline has seen us launch another major project in 2021. The needs analysis demonstrated just how diverse the requirements are.

managing our operating result. However, since the front-end technology is outdated and does not permit certain developments, we started to redevelop this in 2021. This major project will be an ongoing process lasting several years. Our IT developers will be assisted by external partners throughout.

The internal audit report revealed a need for clearer and more detailed guidelines in archiving and documenting business transactions. The traceability of consultancy and decision-making must be ensured for a number of years. Clear and systematic document filing is of central importance given the likely increase in online access to these by clients.

The interest group IG B2B for Insurers + Brokers facilitates electronic business transactions between brokers and insurers. Practically all major insurers and the majority of brokers use the single-sign-on platform. This is currently undergoing transformation with EcoHub, with financially strong insurers keen to take on a leading role. Sobrado Software AG specializes in the tendering and bid comparison process along with information services (specifically with regard to the various insurance terms and conditions) and will offer these services via EcoHub in the future. Kessler is committed to facilitating the collaboration of the two organizations and a secure and flexible IT infrastructure for the efficient processing of business transactions in our sector. Data must be transferred directly from the broker to the insurer and vice versa and must not be stored with third parties.

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

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**"THE TRACEABILITY OF CONSULTANCY AND DECISION-MAKING MUST BE ENSURED FOR A NUMBER OF YEARS."**

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**"OUR LEGAL EXPERTS SUPPORT YOU WITH LEGAL EXPERTISE IN ALL INSURANCE-RELATED MATTERS AND PROVIDE ADVICE ON COMPLEX ISSUES IN THE EVENT OF A CLAIM."**

#### 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.

In today's hard insurance market, insurers want to improve their margins. As an insurance broker, we are under more pressure when it comes to risk placement. We are significantly increasing our capacity in terms of specialists. Regardless of this, we want 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 2021



## MANAGEMENT SEMINAR IN BASEL, SEPTEMBER 2021

Once a year, Kessler's executive staff meet for closed-door meeting.

In 2021 the meeting took place in Basel and was dedicated to the topic "Kickstart Post Corona."

1 Martin Drux (Marsh Continental Europe), 2 Roger Konrad, 3 Timo Salvisberg, 4 Robert Kessler, 5 Natalie Koch, 6 Hans-Christian Süß, 7 Rolf Wenzl, 8 Beatrix Bock, 9 Roy Hildebrand, 10 Bruno Annen, 11 Ziliane Mariotti, 12 Tom Kessler, 13 Thomas Koller, 14 Marijana Pfeiffer, 15 Patrick Concannon, 16 Samuel Egger, 17 Christian Peters, 18 Michael Kloos, 19 Pascal Praudisch, 20 Edwin Krebsler, 21 Markus Singer, 22 Claudio Roa, 23 Werner Niederberger, 24 Emmanuel Anrig, 25 Peter Dürig, 26 Valérie Scilipoti, 27 Stefanie Bigler, 28 Sandra Müller, 29 Kaspar Geilinger, 30 Christophe Tribolet, 31 Urs Sommer, 32 Yves Krismar, 33 Helmut Studer, 34 Theo Kocher, 35 Kurt Vogel, 36 Simon Holtz, 37 Pascal Schweingruber, 38 Silvano Di Felice, 39 René Fernandez, 40 Katja Wodiunig, 41 Lisa Spaar, 42 Riccardo Tondo, 43 André Scheidt, 44 Christian Kessler, 45 Peter Kadar, 46 Samuel Pfister, 47 Simon Künzler, 48 Stefan Leuenberger, 49 Sandro Quinz, 50 Sabrina Wicki Hildebrand, 51 Mario Vegetti, 52 Dominik Grond, 53 Bernard Perritaz. Not in the picture: Ronald Flükiger, Martin E. Kessler, Werner Moser, Gerhard Niederhauser, Andreas Stocker, Martin Rohrbach.



# 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.”

TOM KESSLER AND CHRISTIAN 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 “THE PROOF OF THE PUDDING IS IN THE EATING.”



**HELMUT STUDER**  
Member of the Executive Committee

The quality of a product does not become apparent until you use it. I think the same is true with insurance. We do not see how good it really is until we have to make a claim.

I'll get straight to the point: insurers handle the majority of regularly occurring claims properly and within a period of time reasonable for the client. In this respect, I have nothing but praise for the insurance sector in Switzerland. To stay with the analogy of the pudding: ready-mixes that only need milk and a quick stir are consistently good quality.

### PROBLEMS WITH MAJOR CLAIMS

In my view, it is a different story when claims get bigger. Claims with a loss amount of CHF 100,000 are handled smoothly. Where amounts in excess of CHF 1 million are concerned, claim processing often comes to a virtual standstill. I recently had a claim rejected by an insurer (one of the top five corporate insurers in Switzerland) with the justification that our client had not renewed its policy with them for the next year. Furthermore, the current insurance policy allegedly had too high a claims burden. So, this rejection was justified not by a lack of coverage, but by a lack of economic viability for the insurer.

### ENFORCING AGREED RULES

This brings us to what I think is the main problem: major claims critically impair the profitability of the insurer. The premium increases in many lines of insurance in the last two years were obviously not sufficient to achieve an acceptable technical result. As a result, more and more claims are being processed based on economic aspects and not on contractually agreed rules. This means more and more work for our specialists and lawyers to protect the interests of our clients. In other words: we make sure our clients get to have their cake (or pudding) and eat it.

# INTERNATIONAL HARD INSURANCE MARKET AND THE “GREAT RESIGNATION”



**ROGER KONRAD**  
Member of the Executive Committee

Insurance markets have hardened significantly. Securing the desired capacity at acceptable prices was primarily a challenge for major clients. All providers reduced their capacity per client significantly. This was particularly true of cyber- and special-risk insurance products. According to the quarterly global market reports published by Marsh, price increases reduced towards the end of 2021 and tended towards zero in some cases, but at a high level. We look forward to seeing how the markets develop in the new year and whether we will see a return of multiannual contracts and higher capacities for our clients. Despite the fact that the previous year was one of the most expensive claim years, I expect good

results for insurers for the last year, due to higher premium rates and growth. Based on experience, this should help to stabilize the markets.

## A RESHUFFLING OF THE CARDS

It was our colleagues in the USA, where the pandemic saw Marsh McLennan unable to celebrate its 150-year anniversary, who first brought the “Great Resignation” to our attention. Triggered by the pandemic, we are experiencing a similar wave – one which has been moving through the company and the employment market as a whole. Working from home prompted a change in thinking. It has significantly changed the way we work. At the same time, the economy is in full swing. In many sectors, and insurance companies, there is a lack of skilled labor. Never in my career have I experienced momentum like that of the past year. I think the cards are being reshuffled at the moment. As a family company, we have experienced a slightly higher turnover. One of the biggest challenges in the coming year will be to retain existing talent and find more of it. This will be crucial in meeting the great demand for our services and achieving the growth we seek at the same high level of quality as before. As always we are pursuing this objective from a place of sound financial standing and enthusiasm.

# SPECIAL RISKS CHALLENGING SEARCH FOR AFFORDABLE ALTERNATIVES



**PASCAL SCHWEINGRUBER**  
Member of the Executive Committee

Demand for insurance for purely financial losses remains high, but products are scarce. Only a few insurers are still offering even half of their former capacities, something which has led to increased prices. This has not gone down well with clients.

## IN-DEMAND SPECIALISTS

Price increases for insurance products are an unwelcome surprise. Insurance is a financial product whereby a risk in Swiss francs is transferred in return for a premium. Financial products are expected to remain stable in terms of price, with no increases of 50% or more within any one annual period. “Find me a better alternative!” That was the justified reaction of CFOs across the sector. This saw all Swiss brokers probing the market for alternatives with all risks.

For insurers, covering this demand with the same number of underwriters proved impossible. This left our specialists facing a challenging and intense task. I want to take this opportunity to thank all of you for your outstanding work. That was no mean feat, let alone while working from home.

## OUTLOOK

Three points struck me as positive. The first of these was that Kessler invested in expansion. We were able to create additional jobs in Financial Lines, Cyber, Aviation and M&A. Secondly, new insurers are bringing fresh capacity to the Swiss market. And, thirdly, Kessler’s effective team means it is optimally equipped to tackle these challenges. I would like to have added a fourth point to this: the end of the hard market, but that is yet to materialize. However, my expectation is that profitability for insurers will return to its current level. Cyber may prove the exception to this: insurers will likely remain wary for slightly longer with regard to this area.

For 2022, I wish us all a return to more stability and predictability – for the sake of healthy, optimum progress.

# FRENCH-SPEAKING SWITZERLAND KESSLER IN VALAIS FROM 2022



**BERNARD PERRITAZ**  
Member of the Executive Committee

Maintaining a close relationship with our clients is a matter of course for us. We do this by organizing our teams both based on the economic sectors of our clients and regionally. As such, we have nine locations throughout Switzerland and Liechtenstein. In 2022, we plan to open an additional office in Sion to bring us closer to the market in Valais. This will be Kessler's southernmost Swiss office and its first in the Alpine region.

#### WHY VALAIS? WHY NOW?

Firstly, to meet the requirements of our existing and potential clients.

Secondly, to fulfill the wishes of several of our colleagues. This refers both to residents of Valais and to inhabitants of other cantons that have just moved to the area. The standard of living, the attractive housing options and the reputation of the education system are some of the key factors in this decision. Valais is also a popular location for second homes – another factor that makes it a special place with a positive image.

Thirdly, to benefit from the dynamism of the Valais economy. Its broadly diversified economic fabric and plethora of industries contribute to the canton's healthy economic climate. Chemicals and pharmaceuticals and the energy sector have seen remarkable development and offer significant potential. The establishment of the EPFL Valais Wallis campus at EPFL (Swiss Federal Institute of Technology Lausanne) was a fast and successful process. Investment in scientific research and innovation is both inspiring and promising.

And finally, to expand into an area where the corporate insurance brokerage market share is below the Swiss average. There is therefore significant potential for impartial and professional consultancy (independent brokerage) as an alternative to general insurance agencies (affiliated brokerage). We intend to seize this opportunity to the benefit of Valais-based corporate clients and public institutions.

# HEALTH & BENEFITS FIGHTING RISING PREMIUMS WITH COMBINED CONSULTING



**STEFAN LEUENBERGER**  
Member of the Executive Committee

The Swiss economy has performed well in spite of the pandemic. Thanks to the easing of coronavirus measures, sales have picked up in a variety of sectors and business results are improving. Despite the coronavirus crisis and inflation fears, the Swiss stock market performed well at the end of the year. The record year on the stock market boosted the returns of pension funds. Many insured persons benefited from a record interest rate on their retirement assets. Interest, the “third contributor”, has become significantly more important in light of falling conversion rates. The importance of carefully reviewing your pension fund solution is becoming apparent. In the winter session, the Swiss Parliament passed the reforms of the OASI and occupational pensions, but the referendum is looming.

#### SUSTAINABLE SOLUTIONS

We are seeing rising premiums in accident and health insurance. COVID-19 has made it difficult for various sectors to find good solutions. Due to a lack of alternatives, however, an increase in premiums cannot be ruled out. Interest in alternative insurance models and careful data analysis is on the up. Our human resources risk consultants advise companies on the configuration of HR processes in absence, case and insurance management. The combined consulting approach allows us to provide sustainable solutions in a difficult insurance market.

The fallout of the pandemic has shown multinational companies the advantages of global benefits management. Trends in HR are changing dramatically. Demand for digital technologies, centralization and consolidation is increasing. The well-being of employees has become a success factor, with employee well-being initiatives being evaluated. As a member of the Mercer Marsh Benefits network, we can support international companies with our expertise. With dedicated teams in place, we are looking forward to the challenges the future holds in store.

# PENSION FUND MANAGEMENT AN OBSOLETE CONCEPT?



**NATALIE KOCH**  
Director Kessler Benefits Inc.

Pension funds an “obsolete” concept? Not at all! On the contrary, our pension funds are innovative and future-oriented.

Most notably, 2021 saw a marked interest among our clients in cryptocurrency investments. Our funds also serve to build community housing of the future and help communities to clean up their energy installations to meet their environmental targets, to name just a few examples.

## THE REASONS FOR A LIQUIDATION VARY

Cost is no longer the sole deciding factor when it comes to continuing or terminating a foundation. The decisive element is proving to be the flexibility offered by pension funds.

It is this that saw some foundations opt for liquidation in 2021. From the initial thoughts of final liquidation, such processes take more than a year. In addition to our “traditional” services in the management of company foundations, our colleagues guided clients through the processes involved in partial or total liquidation. They actively supported foundation boards throughout the key stages.

The, at times very quick, strategic decisions made by employers and foundation boards have a direct impact on the management of a pension fund. Our team possesses the necessary flexibility and endless versatility. Our clients can count on experienced individuals who know how to handle these situations.

Within Kessler Prévoyance, our teams evolve in a flexible working environment with a great degree of independence. Our colleagues are particularly dynamic and engaged. Each person’s experience and desire to improve is what drives us forward.

# RISK CONSULTING CYBER THREATS AND SUPPLY CHAIN RISKS



**SIMON KÜNZLER**  
Director Kessler Consulting Inc.

In the second year of the coronavirus crisis, strategically oriented enterprise risk management projects were less intensive. Instead, the consulting focus moved to our operations-focused business resilience risk consulting practice due to increased client demand in this area. Two issues were dominant here.

## CYBER THREATS

As expected, the cyber-threat situation remained a challenge for all organizations. Cyberattacks are unlikely to lose their momentum any time soon. In almost all surveys on the main operational risks faced by companies, cyberattacks continue to feature at the top of the rankings. Our clients want to better understand their own cyber-risk landscape and reinforce their cyber-defense mechanisms. As part of

our cyber-consulting portfolio, our cyber-awareness seminars meet a great need. They are very popular with our clients.

## SUPPLY CHAIN RISK ANALYSIS

We were surprised by the sheer scale of project inquiries for supply chain risk analysis. This was triggered by supply chain turbulence that, in the worst case, led to extended business disruption. Reduced market accessibility due to COVID-19, sudden shortages of electronic components and raw materials, and the incident with the Ever Given container ship in the Suez Canal are examples of the great vulnerability experienced by supply chains in 2021.

How do you improve a company’s resilience against supply chain disruption? With my team, we analyzed supply chains from a holistic risk perspective. This enabled our clients to better understand the complexity of their supply chain and to arrange this in a more resilient format. A supply chain developed sustainably based on a monitoring system is a crucial competitive advantage.

Cyber and supply chain risks will persist beyond the COVID-19 era. It is with this in mind that my team and I continue to build on our expertise and experience for the benefit of our clients.

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