

Risk & Insurance Insight 2023



Welcome!

Kessler is the leading Swiss enterprise specializing in comprehensive risk, insurance and pension benefits.

We advise over 1,500 medium-sized and large Swiss companies from the service, trading and manufacturing industries, as well as the public sector. Thanks to our expertise in each of these economic 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. Now also at our location in Sion (cover image: view of Sion from Tourbillon Castle).

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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Editorial



Dear clients, partners, employees and friends of Kessler,

Last year presented us with new challenges. Following on from the acute phase of the coronavirus pandemic, the health situation has calmed down – in the western world at least. Russia's war of aggression against Ukraine, the increased risk of gas and electricity shortages as a result, and the sharp rise in inflation in key global economies are creating new uncertainties. Although the risks associated with demographics and climate change are slowly becoming apparent, they are difficult to mitigate. Society needs to find answers.

Switzerland and its economy have performed relatively well in this environment, and it is important to hold on to the values and principles that underpin this success. At the same time, viable solutions to the challenges ahead – such as relations with the EU and key trading partners, and the long-term security of the healthcare and pension systems – must be found.

The insurance markets remained hard in 2022. Thus, our employees were required to represent and enforce the interests of our clients with determination.

Despite this challenging environment, Kessler can look back on a successful year. We are pleased that our clients place their trust in us. Following an excellent year in 2021, our customer retention rate improved yet again to 98.7%. We enjoyed further growth in our market segment and opened a new site in Sion.

"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. For the future we are well equipped. We remain at our clients' side as a reliable partner – at home and worldwide as Swiss partner in the Marsh Network.

Thank you very much for your trust and cooperation.

Tom Kessler
Managing Partner

Christian Kessler
Managing Partner

Interview

Kessler continued to grow in a turbulent environment



CHRISTIAN KESSLER AND TOM KESSLER
Managing Partners

Last year was a turbulent year in which circumstances were constantly changing. This did not go unnoticed by Kessler or its employees. Managing Partners Tom Kessler and Christian Kessler give an insight into their experiences in 2022, discussing challenges, new developments at Kessler and what they hope will happen in 2023.

A turbulent 2022. Let's start with Russia's war of aggression against Ukraine. What was the first thing that went through your mind?

Tom Kessler (tk): The situation had become increasingly tense in February when the Russian forces were deployed, but I remained hopeful until the very end that a war could still be averted. Unfortunately, that hope was dashed on February 24. I feel absolutely shaken to the core that a conventional war – with all the pain and suffering it causes to the local population – has been waged in Europe since last year.

Christian Kessler (ck): This war of aggression is a terrible experience for our generation, which grew up with relative peace in Europe, and puts me in a very reflective mood. With the COVID-19 pandemic and the war in Ukraine, two events that nobody had expected occurred within a very short space of time. And we must not forget that the world's poorest and most vulnerable are particularly affected by the consequences – such as food shortages, inflation and recession.

tk: Some of our clients have been or are directly affected, as they have national subsidiaries or supply chains that pass over the war zones. We had to quickly find solutions for these clients in a rapidly changing and confusing situation. We also had to respond quickly in terms of the tightened international sanctions regime. Fortunately, we had to take action only in a few isolated cases.

“I feel absolutely shaken to the core that a conventional war has been waged in Europe since last year.”

Interview

The challenges continued to mount as the year progressed. A tense energy supply situation, supply chain challenges due to the war, China's zero-COVID policy and resultant lockdowns, and inflationary developments were just a few. How did you deal with the ever-changing requirements and conditions?

ck: That is correct. After the turbulent years marred by the pandemic, 2022 brought a number of new challenges that again proved testing in our client advisory activities. The effects vary from client to client and have to be mitigated by taking appropriate measures. This requires a great deal of flexibility and experience. Fortunately, the health situation in Switzerland relating to the coronavirus pandemic has improved significantly, and inflation has also been kept in check here compared with other economies. Once again, we can count ourselves lucky that we live in such a stable country.

tk: Of course, we take these risks seriously and monitor them closely. We were particularly concerned about threatened power shortages. The consequences for the economy – and ultimately for us – would be serious. We tried to analyze the different scenarios, assess the potential consequences for us and prepare ourselves accordingly. We attach a great deal of importance to transparency when we provide information to our employees and clients, conscious of the fact that we do not always have the answers to every single question.

Kessler can look back on a good year. The company continued its sustainable growth trajectory. What does this growth mean for the organization and how are you addressing the resulting challenges?

ck: We are naturally delighted that the company has performed well. After achieving a record-high customer retention rate in 2021, we managed to increase this figure to 98.7% in 2022. We also persuaded many new companies to take advantage of our services. And we were able to do that thanks to our qualified employees, who devote their energy to our clients' needs day in, day out. I would like to express my heartfelt thanks to all of them.

tk: However, the positive performance also brings a number of new challenges. We have created new jobs over the past two years in line with Kessler's growth. Although we are indeed pleased about this, it is also

“Once again, we can count ourselves lucky that we live in such a stable country.”

challenging for the organization. Recruitment and, above all else, new colleague inductions must be carried out with care and require a great deal of time and commitment. Apart from that, we all find ourselves in a new world of work nowadays, where remote working from different locations is becoming more commonplace for our teams. This also gives rise to completely new challenges for the IT and office infrastructure. We want to respond to these challenges and have launched several related projects.

Another positive development for Kessler is the fact that the new Sion site will open in early 2023. Why did you choose Sion, and what do you expect from this new site in Valais?

tk: Valais is a wonderful region with a dynamic and strong economy. We already have several clients in Valais, not to mention colleagues who live in the area. So it was a logical step for us to open an office in Valais. We are delighted that we have been able to move into our new site in Sion. We will celebrate the official opening in May 2023.

ck: Proximity to our clients is very important to us. We are confident that the new location will enable us to better serve our clients in Valais. We are optimistic about our further development there.

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Kessler also worked hard on the subject of sustainability in 2022, with risk carrier ratings the outcome. What were your thoughts, and what does Kessler aim to do with these ratings?

ck: As a leading company, we attach a great deal of importance to contributing to sustainable development. The focus in this respect is on strengthening our employees' health and well-being, and reducing CO₂ emissions. But sustainability also affects the supply chain. At Kessler, that is primarily the risk carriers (i.e. insurers, health insurers and collective foundations).

Interview

tk: We want to do everything in our power to make our clients and partners aware of this issue and to strengthen their sustainable behavior. And that is the reason why we decided to incorporate an ESG rating into our tender reports from January 1, 2023. We are aware that this is the start of a dynamic process and are curious to see what the initial experiences will be.

Finally, let's take a personal look at the year ahead. What are your expectations and goals? And what do you hope will happen?

ck: My dearest wish is naturally for the fighting in Europe to stop and for geopolitical tensions to generally calm down. Peace and trade partnerships are essential for the prosperity of our economies. I am convinced that positive economic development around the world will help us address major challenges such as demographic change, migration, political polarization and climate change.

tk: We can and want to play our part. Thanks to our expertise in the various economic sectors and our leading position on the market, our clients benefit from the best possible solutions and optimized costs of risk.

“My dearest wish is naturally for the fighting in Europe to stop and for geopolitical tensions to generally calm down.”

And, naturally, our dedicated and competent employees who find pleasure and enjoyment in their work. We will focus all our efforts in that direction and, together, be successful for our clients.

Annual report

Our Year 2022



ROBERT KESSLER
Chairman of the Board of Directors

Annual report

WAR IN EUROPE AND ELECTRICITY AND GAS SHORTAGES

After more than 75 years, war has broken out in Europe again. Most Europeans paid relatively little attention to Russia's annexation of Crimea in 2014. Because of Russia's superior strength, there was practically no bloodshed. But the Russians' current war of aggression against the Donbas region and Ukraine as a whole has shaken the world. Soldiers are fighting with old artillery and the latest weapons systems. President Putin underestimated how fiercely the Ukrainians would defend their homeland. Instead of a blitzkrieg, what has developed since February 24, 2022, is a war of attrition – with many dead and injured. The wave of refugees – primarily women and children – fleeing to the West is still ongoing. Thanks to the support of the US, the UK and the EU, both the Ukrainian people and the Ukrainian Army led by President Zelenskyy are standing firm. It is uncertain what the outcome will be.

Supply chains were already shaken by the lockdowns imposed due to the COVID-19 pandemic. The war in Ukraine and Russia's isolation brought additional problems, including sluggish grains exports and, in particular, reduced volumes of cheap Russian oil and gas supplied to EU countries. The Nord Stream 1 and completed Nord Stream 2 gas pipelines were sabotaged. The lack of cheap Russian gas and also the corrosion-related repairs of many nuclear power plants in France have led to fears of an electricity shortage in Europe. As Switzerland has failed to make an electricity agreement with the EU, our situation is particularly unpleasant. However, the mild start to winter 2022/2023 provided some relief.

THE COVID-19 PANDEMIC, CYBER RISKS AND OTHER GLOBAL RISKS

While life returned to normal in the West, that was not the case in restrictive China, which reopened its borders only at the end of 2022. In most countries, people are learning to live with the SARS-CoV-2 virus. Thanks to the rapidly developed mRNA vaccine and booster, most hospitals no longer find themselves overwhelmed with COVID-19 patients. Although the Swiss Federal Council certainly took bold action in an extraordinary situation for two years, it was relatively liberal compared with its European neighbors. The Swiss Federal Government paid out about CHF 40 billion in support, helping to prevent a recession. Life in the post-pandemic world has begun – and pent-up demand has prompted recovery in the travel industry.

Cyber risks remain 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 further. Malicious cyberattacks involving ransomware (ransom demands) are unfortunately a lucrative business model for cybercriminals, not least since ransoms can be covered in cyber insurance policies.

THE FIVE BIGGEST RISKS

within 2 years

Cost-of-living crisis

Natural disasters and extreme weather events

Geo-economic confrontation

Failure to mitigate climate change

Erosion of social cohesion and social polarization

within 10 years

Failure to mitigate climate change

Failure of climate change adaptation

Natural disasters and extreme weather events

Biodiversity loss and ecosystem collapse

Large-scale involuntary migration

According to the latest WEF Global Risks Report, published annually in collaboration with Marsh McLennan and the Zurich Insurance Group, failure to mitigate climate change is among the biggest risks.

INFLATION, INTEREST, RETURNS ON INVESTMENT

The years that central banks spent pumping money into the economy (quantitative easing, “whatever it takes”) to overcome every crisis has now led to high inflation within a matter of months in response to the war in Ukraine and the sharp rise in energy costs. We have not experienced a situation like this for more than 30 years. At long last, the central banks have now hiked interest rates. Even Switzerland’s era of negative interest rates (which lasted from January 2015 to September 2022) is over. The Swiss National Bank (SNB) has been letting the Swiss franc strengthen so that imports remain cheap and inflation is contained at the com-

paratively low rate of about 3%, while it is running at 8-10% in Europe and the US. We hope that there will be no upward price spiral.

The decades-proven investment strategy of outperformance on either the higher-risk equities market or the lower-risk investment market was, for once, wrong in 2022. Diversification was to no avail. The SMI declined by 16.7% (2021: +20.3%). The severe negative returns are also putting a strain on the pension benefits segment. The SNB recorded a CHF 132 billion loss for the year, while the Old Age and Survivors’ Insurance (OASI) recorded a drop of CHF 4.5 billion.

As the Swiss partner of Marsh, we are able to support our customers worldwide.



POLITICAL AND ECONOMIC ENVIRONMENT IN SWITZERLAND

Despite the strong Swiss franc, most Swiss companies are doing well. In many industrial sectors, potential growth and service quality are limited by the acute shortage of skilled workers, exacerbated by demographic trends as baby boomers now reach retirement age. Switzerland's population has risen to more than 8.7 million due to immigrant workers flocking to attractive Switzerland and also – to a certain extent – the influx of refugees.

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 on an institutional framework agreement in Brussels in May 2021, the political climate with the EU has deteriorated. The initial effects have already been felt with the Horizon research program and Switzerland's failure to conclude an electricity agreement with the EU. At the moment, it remains unclear how we can continue on this bilateral route that is so important to Switzerland. We are hoping that Livia Leu, State Secretary in the Federal Department of Foreign Affairs (FDFA) and chief nego-

tiator for Switzerland's negotiations with the EU, will generate fresh momentum. Even after 30 years, many Swiss citizens regret the rejection – by a small 50.3% majority – of their country joining the EEA on December 6, 1992.

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 affected heavily by this. In June 2023, it is hoped the electorate will approve the constitutional change needed so that we can be ready in January 2024.

The Swiss Economic Institute (KOF) forecasts that gross domestic product (GDP) will grow by 1.9% in 2022 and by 0.7% in 2023. Inflation is expected to run at 2.3% in 2023, while cumulative inflation in the previous 11 years was zero. The expected unemployment rate for 2023 is 2.4%.

“At the moment, it remains unclear how we can continue on this bilateral route that is so important to Switzerland.”

THE BROKER MARKET

According to the latest figures published by FINMA in December 2022, 17,765 insurance brokers are listed in the FINMA register (2021: 17,400). A good 2,100 of these are legal entities – joint-stock companies (AG), limited liability companies (GmbH) and so on – and 15,630 are natural persons (including sole proprietors and ordinary and collective partnerships). Of the natural persons, 55% are tied insurance intermediaries (i.e., agents and insurance representatives). Of these, 7,000, or 45%, are non-tied intermediaries (i.e., insurance brokers).

The market share of professional brokers among medium and large-scale corporate clients is at least 90%. Non-tied or unaffiliated insurance broking is an established profession, the market is distributed and cut-throat competition is rampant. Significant consolidation within the sector has been underway for years now. Approximately 25 brokerage firms have 20 or more employees, and 12 of these firms have more than 50 employees.

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. 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 partial revision of the Swiss Insurance Supervision Act (VAG) – involving a regulatory and supervisory concept based on customer protection and new restructuring legislation – was passed by Parliament in March 2022. In this context, insurance mediation law is to be amended as well. It envisages a more precise definition of non-tied and tied insurance brokers, and a ban on acting as both a tied and a non-tied broker. Insurance brokers must have a good reputation and offer a guarantee that they will fulfill their obligations under the VAG. There are plans for FINMA to more effectively supervise abuses and to maintain the register. New requirements will include ongoing professional development, the avoidance of conflicts of interest and the disclosure of compensation for non-tied insurance brokers. It is expected to enter into force on January 1, 2024, at the earliest.

The SIBA has supported these tighter rules. It was also involved in drafting the related Supervision Ordinance (AVO). Unfortunately, however, there are signs of massive overregulation by FINMA with excessive reporting obligations. The SIBA is defending itself against this and has the support of all major business associations.

“Unfortunately, however, there are signs of massive over-regulation by FINMA with excessive reporting obligations.”

NEW FEDERAL ACT REGULATING INSURANCE CONSULTING ACTIVITIES

A new federal law on the regulation of insurance consulting activities is intended to regulate the activities of insurance brokers in social health insurance and private supplementary health insurance. It should be possible for the Federal Council to declare an industry agreement for insurers, which provides for a ban on cold calling and sets out provisions governing initial training and limits on compensation for insurance brokers, to be generally binding.

The act was passed by Parliament at the end of 2022. It is still unclear what effect this will have on health insurers consulting activities. From the SIBA's point of view, it is an unnecessary new law, as insurance consulting for all lines of insurance (including health insurance) has only just been revised and tightened with the partial revision of the VAG.

We are familiar with the specifics of the various industries and sectors, they are experts on the individual risk themes.



CSR, ESG, SUSTAINABILITY

The last few years have seen humanity realize the extent of the major risks and challenges posed by the consequences of global warming and the demands for extensive sustainability (including circular economy and biodiversity) for our planet. CSR (corporate social responsibility) covers companies' behavior. ESG (environmental, social, governance) has become a megatrend. The sustainability initiatives for the planet are set out in the United Nations Global Compact, consisting of 17 Sustainable Development Goals (SDGs). Kessler is also active in this area and has developed basic principles. 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). In this context, we defined four objectives and the initial measures to achieve them (including a comprehensive occupational health management (OHM) system, review of an energy-efficient building renovation project in the head office at Forchstrasse 95, installation of electric car charging stations and much more) were implemented back in 2022. Towards the end of 2022, we successfully joined the STI (Swiss Triple Impact) Directory developed by B Lab Switzerland. We also recently implemented a written code of conduct and guidelines for sustainable procurement. We are also in the process of setting up a whistleblowing system.

Extensive work awaits us and the company as a whole in the field of ESG. Our company wants to behave like a good citizen. Additionally, as the leading broker in Switzerland, we want to evaluate suppliers (primarily private insurers and collective foundations) along our value chain in line with uniform ESG criteria. From the beginning of 2023, we will include this rating in our tender process as well as the tender reports for clients along with the credit rating. The investment guidelines are important in the area of the second pillar. In the nonlife sector, we provide the ESG rating from MSCI and Sustainalytics if this data is available. We hope that this will increase awareness of ESG attitudes among our clients, which will hopefully lead to good client dialog and positive subsequent decisions and/or choices of insurer. In 2023, we will look at how we can also assess health insurers with an ESG rating.

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 offer our clients comprehensive consulting services in the areas of risk management, insurance and pension benefits. We conduct a risk dialog with clients for this purpose. 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 interactive digital checklist for risk and insurance has been well received by our clients. Our report for the annual client meetings is also becoming increasingly automated and digital. KesslerOnline – our client tool for accessing risk and insurance data – is being updated and enhanced in terms of functionality.

“We also recently implemented a written code of conduct and guidelines for sustainable procurement.”



Our product and market strategy is geared towards providing comprehensive support for companies with 100 employees or more. These number roughly 7,000 private-sector companies and about 500 public-sector organizations in Switzerland. Kessler works with 1,500 of these 7,500 target clients, which corresponds to a market penetration of 20%. We cultivate business relationships with 45 of Switzerland's top 100 companies. We primarily advise medium-sized companies, 1,000 of which employ up to 250 staff, while 500 are larger companies with more than 250 employees.

We estimate our market share in the target client 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 publish the Risk & Insurance Insight, the D&O Message, the Cyber Risk & Insurance Report and the Market View. As COVID-19 subsided, we were able to hold most in-person events again, including the Kessler Academy in German-speaking and French-speaking Switzerland.

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.



Client satisfaction is the highest priority for our company, for every division and for every employee. We achieved a record customer retention rate of 98.7%.

MARSH MCLENNAN

With Marsh, Guy Carpenter, Mercer and Oliver Wyman, Marsh McLennan remains the world's leading professional services firm in our industry. With a total workforce of 86,000 employees in 130 countries, it generates a turnover of more than USD 20 billion. The four businesses are set to grow closer together. Dan Glaser, President and Chief Executive Officer of Marsh

McLennan, retired at the end of 2022 and was succeeded by John Doyle, Marsh's long-standing CEO.

Siegmund Fahrigh, CEO of Marsh Continental Europe and a member of our Board of Directors, has made valuable contributions to Kessler's further development with his many years of experience. Samuel Lisse, CEO of Mercer Switzerland, holds the role of Chief Country Officer of Swiss Businesses at Marsh McLennan.

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.

EMPLOYEES

As of the end of 2022, Kessler had 330 employees, as well as several apprentices and interns. This corresponds to a good 300 full-time positions. Of these, 60% work in the company headquarters at Hegibachplatz or in the nearby offices at Hegibachstrasse 47, Zurich; 60 employees are based in Lausanne, 20 in Petit-Lancy/Geneva, 30 in Bern and 10 in St. Gallen. One to five employees work in each of our regional offices in Basel, Lucerne, Neuchâtel and Vaduz. And 190 of our employees are listed in the FINMA register as independent insurance brokers. In the post-pandemic world, many employees have decided to work from home for up to two days a week in consultation with their division/team managers.

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 provid-

er. We draw a distinction between specialist skills, social skills and methodological skills. After all, the commitment and reliability of our employees are the hallmarks of our client-oriented corporate culture. To foster this, we make the most of their potential, provide them with 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%. As the market environment remains challenging and we have continued to grow, we significantly expanded capacity in 2022 and increased it again for 2023. We are confident that we will be able to fill the newly created positions with motivated and well-qualified new colleagues.

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ALL SERVICES FROM A SINGLE SOURCE

Insurance broking

Formulation of a risk and insurance policy

Development and 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

INSURERS

Thanks to our large volume, collaboration with private insurers, health insurers and collective foundations remains well established, but in most insurance sectors difficult market conditions prevail. As the market leader, we are recognized for our professional services that take the strain off clients and insurance companies. The insurer's responsibility is to provide underwriting and claims settlement services. The insurance

broker is responsible for the development, advice and support of medium-sized and larger corporate clients.

Insurers and reinsurers were again hit hard by natural disasters in 2022. Swiss Re estimates globally insured catastrophe claims to be at USD 120 billion, with the largest claims related to Hurricane Ian in Florida (which caused USD 60 billion in losses) and floods in Australia.

“Premiums for cyber risks have increased significantly once more.”

The insurance market in Switzerland remains tough. After accident and health insurance, we are witnessing premium surcharges and capacity and coverage restrictions in most lines of insurance. We see some relief in the area of directors' and officers' liability insurance. Premiums for cyber risks have increased significantly once more. Large and difficult property insurance risks sometimes require complicated vertical placements. The work of brokers has become even more challenging, even though companies with smaller risks can benefit from our blue line solutions. As brokers, we are continually called on to handle larger claims, which in turn are often settled only after some hard negotiations.

Insurers have solid financial resources thanks to strong previous years, and this area does not pose a problem, despite the foreseeable decline in profits due to

the financial markets in 2022. Creditworthiness is the primary criterion of our placement policy. Our Market Security Committee (MSC) monitors risk carriers (namely insurers and pension foundations). We work closely with our colleagues at Marsh.

ORGANIZATION

We are organized by client segments (industry practices). This structure ensures that our employees have industry-specific expertise. The Heads of Business Unit, together with their client executives and brokers, run autonomous brokerage firms for their segment and report directly to a member of the Executive Committee. In addition, the specialist units Occupational Pensions, Personal Insurance and Special Risks are run for all clients. We rely on 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 consulting.

Business development is the responsibility of sales specialists for new clients, with client executives 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 and communications have made a key contribution to increasing our visibility and brand recognition, thanks

We assist you in choosing the organizational form of your occupational pension plans, and help you structure the pension benefits.



to articles in the media and through an increased presence on Google and the social media channel LinkedIn.

As the coronavirus situation has normalized and the COVID-19 Loss of Earnings Ordinance has been lifted, we at Kessler have also been working in our offices without any restrictions since April 1, 2022.

On May 1, we reappointed the Senior Management Committee with Natalie Koch, Yves Krismer, Martin Rohrbach, André Scheidt and Urs Sommer. Mélanie Coluccia, Eva Holenstein, Patrick Martinez and Sabine Wanner have been promoted to new members of Ex-

ecutive Management. In January 2022, Kaspar Geilinger took over as Head of the Financial Institutions Business Unit, while Natalie Kolb became Head of the Marketing & Communications Business Unit and Head of the Executive Committee Secretariat. Christoph Meyer was also promoted to Head of the Public Entities, Energy & Transport Business Unit in January. Sandro Quinz took over as Head of the Pension Funds (Bern) Division. In April, Sébastien Wyss was appointed Special Risks Team Leader in Zurich, and in May, Jessica Huber was promoted to Pension Fund Administration Team Leader. In the same month, Primus Berger was appointed Head Regional Office Geneva.

In July, Jean-François Lécho took over as the new Head of the Health and Public Sector Business Unit in French-speaking Switzerland and Olivier Tobler was promoted to Team Leader in the Personal Insurance Unit in Zurich. Finally, on October 1, Cédric Poli became Regional Manager of our new site in Sion.

“Data should be transferred directly from the broker to the insurer and vice versa, and not stored with third parties.”

In May 2022, we announced a strategic partnership with Trianon, a business process outsourcing partner of Mobiliar in HR and pensions. Trianon is primarily active in French-speaking Switzerland. In an asset deal, we were able to take over Trianon's insurance broking business, while entering into a strategic, non-exclusive collaborative relationship for HR services in the area of absence and claims management for our clients.

DIGITALIZATION AND IT

Kessler has an individual and stable IT platform. We have an established IT team supported by external specialists for operational and further development purposes.

The interest group “IG B2B for Insurers and Brokers” facilitates electronic business transactions between brokers and insurers. Practically all major insurers and the majority of brokers use the single-sign-on platform, which runs on EcoHub. During the course of 2022, operation and further development of the EcoHub platform was transferred from IG B2B to the newly established EcoHub AG in order to improve the speed and agility of reaction to market developments. In addition to IG B2B as an anchor shareholder with 30%, a total of 23 well-known insurers and brokers have a stake in EcoHub AG. Kessler is also a shareholder with a single-digit-percentage stake. Sobrado Software AG specializes in the tendering and bid comparison process, along with information services (specifically the various insurance terms and conditions) and is now also available via EcoHub. Kessler is committed to facilitating the collaboration of the two organizations and to a secure and flexible IT infrastructure for the efficient processing of business transactions in our sector. Data should be transferred directly from the broker to the insurer and vice versa, and should not be stored with third parties.

OUTLOOK AND THANKS

“A secure future.” That is the motto of our family business. Our position as the leading Swiss company for risk, insurance and pension consulting – in terms of quality and reputation as well as size and earnings – is well established. As the Swiss partner in the internationally 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. In addition to last year, we are once again significantly increasing our capacity in terms of specialists. It is essential to harness the benefits of digitalization in order to make work faster, simpler and more innovative.

We are a committed and motivated team. 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. We can look to the future with optimism.

This pleasing performance is the result of professional operations and the loyalty and outstanding dedication of our employees. I would like to express our sincere thanks and appreciation to all of them. I would also like to thank my colleagues on the Board of Directors and the Executive Committee for their excellent cooperation.

We would like to thank our clients and partners for the positive and trusting collaboration. You have all contributed to Kessler's success.

“Our services continue to be in demand. We can look to the future with optimism.”

Management Seminar Oberägeri 2022



MANAGEMENT SEMINAR IN OBERÄGERI, SEPTEMBER 2022

Once a year, Kessler's executive staff meet for closed-door meeting. In 2022 the meeting took place in Oberägeri and was dedicated to the topic "Back to the roots."



1 Mélanie Coluccia, 2 Valérie Scilipoti, 3 Patrick Concannon, 4 Kaspar Geilinger, 5 Sandra Müller, 6 Sabine Wanner, 7 Yves Krismer, 8 Martin Rohrbach, 9 Thomas Koller, 10 Bernard Perritaz, 11 Peter Kadar, 12 Theo Kocher, 13 Katja Wodiunig, 14 Marijana Pfeiffer, 15 Peter Dürig, 16 Hans-Christian Süss, 17 Samuel Egger, 18 Ziliante Mariotti, 19 Urs Sommer, 20 Stefanie Bigler, 21 Samuel Pfister, 22 Edwin Krebser, 23 Helmut Studer, 24 Sandro Quinz, 25 Markus Singer, 26 Emmanuel Anrig, 27 Beatrix Bock, 28 Primus Berger, 29 Kurt Vogel, 30 Patrick Martinez, 31 Eva Holenstein, 32 Michael Kloos, 33 Timo Salvisberg, 34 Bruno Annen, 35 Tom Kessler, 36 André Scheidt, 37 Lisa Spaar, 38 Robert Kessler, 39 Claudio Roa, 40 Christian Peters, 41 Simon Holtz, 42 Dominik Grond, 43 Riccardo Tondo, 44 René Fernandez, 45 Christian Kessler, 46 Mario Vegetti, 47 Natalie Koch, 48 Stefan Leuenberger, 49 Silvano Di Felice, 50 Simon Künzler, 51 Pascal Schweingruber, 52 Roger Konrad, 53 Werner Niederberger, 54 Pascal Praudisch.

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.

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.

Legal & Compliance

Disadvantages for Swiss insurance brokers are coming to an end



HELMUT STUDER
Member of the Executive Committee

The partially revised Insurance Supervision Act (VAG) is about to be introduced. I am expecting the related Supervision Ordinance (AVO) this spring. These decrees will probably enter into force on January 1, 2024.

Under the existing legal basis, foreign insurance brokers may register in Switzerland as non-tied or tied insurance brokers. All they need is proof that they have the appropriate training and professional experience abroad. No knowledge of our national languages or our laws is required. In contrast, Swiss insurance brokers – even well-educated actuaries, university graduates with degrees in economics or law, and insurance specialists with extensive professional experience in Switzerland – have to complete special training and pass a broker examination. This leads to a clear disadvantage,

since the requirements for Swiss nationals are so much higher than for foreigners. In my view, this has little to do with consumer protection. This shortcoming will be remedied by the partially revised VAG.

A LEVEL PLAYING FIELD

Foreign insurance brokers now have to meet the same requirements for entry in the broker register as Swiss insurance brokers. It should be noted that legal entities must have their registered office in Switzerland and natural persons must prove that they are resident in Switzerland. Additionally, the initial qualification and further training requirements apply to everyone. Foreigners may also need knowledge of a national language, since our laws – such as the Federal Insurance Contract Act (VVG) – are published only in Switzerland's national languages.

I assume that FINMA will implement these new requirements when the transition periods have ended by introducing the new legal bases. I am pleased that this will bring the disadvantages faced by Swiss insurance brokers to an end.

International

Tough markets, exceeded targets



ROGER KONRAD
Member of the Executive Committee

No sooner had we put the pandemic behind us, than war broke out in Ukraine. We obviously have to constantly adapt to and prepare for new crises and deal with the associated risks. That, after all, is our business.

The persistently tough insurance markets brought us another challenging year. Reduced capacities, the discontinuation of multiannual contracts and late quotes for our clients generate pressure and more work for everyone. On a positive note, tough markets and crises increase demand for our services, which in turn helped us to achieve a successful financial year with targets exceeded. With my management team in international business in Zurich, the seven of us combined

have 160 years of experience in the market and with Kessler. In the fast-paced labor market, our clients greatly appreciate this continuity.

SATISFIED CLIENTS

Our HR Risk Management team and our colleagues at Mercer offer clients a wide range of services to make them more attractive on the labor market and to improve their well-being and health. These popular services make a key contribution to improving resilience. Our constantly growing client base is resilient too. Our retention is encouragingly at an all-time high.

Marsh McLennan has been rebranded. As the leading and largest provider of risk, strategy and personnel consulting services, the company will bring its four units closer together – putting the best people at the front. I find it fascinating how a global organization that is more than 150 years old and with more than 80,000 staff can constantly reinvent itself and generate growth. This is possible only thanks to prudent and far-sighted planning.

And what does the future hold? Despite all the uncertainties, we are used to overcoming difficulties. That's why we learn all the more with every crisis.

Risk Practices

Risk Practice Leaders – the people behind the scenes at Kessler



PASCAL SCHWEINGRUBER
Member of the Executive Committee

As a client, you may never have heard of our Risk Practices before. No problem – that is to be expected. They operate as a shadow organization behind the divisions. At Kessler, the divisions are based on business sectors such as trade, industry, hotels, etc., enabling the organization to get to know the aspects of each one and to have a multidisciplinary mindset. The challenge is to manage the service quality in each insurance line across the entire company. From property insurance and D&O, to accidents, pension benefits and more – it's the Risk Practices that does the heavy lifting.

EXPERTS WITH DAY-TO-DAY BUSINESS EXPERTISE

The Risk Practices are made up of experts – the Risk Practice Leaders – from all the insurance lines. They represent all risks, the associated insurance lines and insurance markets. This proximity to the business has proven its worth, since experts with day-to-day business experience – rather than administrative departments – work on the practices' progress. Risk Practice Leaders build on the brokers' collective knowledge. After all, they know how client behavior is changing across Switzerland and in which direction the markets are heading.

I have been responsible for the Risk Practices on the Executive Committee since 2019. I am always impressed by how committed the Risk Practice Leaders are to their divisions. They live their roles and perform their work with pleasure. For my part, I particularly like to see just how generously and efficiently they share their expertise internally – whether it's talking shop with specialists, supporting up-and-coming talent or helping newcomers get started. That's why I would like to take this opportunity to pay tribute to everyone working behind the scenes – thank you all for the great job.

French-speaking Switzerland

A new working environment for Kessler in Lausanne



BERNARD PERRITAZ
Member of the Executive Committee

Thanks to its central location, Lausanne has become Kessler's most important office in French-speaking Switzerland, alongside its other offices in Geneva, Neuchâtel and Sion. We have had a presence on Rue Pépinet at the heart of the city center for 25 years.

Two important developments have shaped recent years. The first relates to the teams' growth: between two and six new employees have been added every year. The second concerns the way we work. No sooner had we digitalized all the processes and introduced electronic signatures, then along came the pandemic. It forced us to introduce large-scale WFH models overnight. The hybrid working method has now been institutionalized at Kessler.

Nowadays, the vast majority of employees work flexibly from home one to two days a week. Client meetings and train journeys determine my day-to-day work. I also regularly work from home and no longer have a fixed office. When I'm in the office, meeting and communicating with my colleagues takes priority.

STATE OF THE ART THANKS TO A NEW WORLD OF WORK

The office space in Lausanne was no longer suitable for hybrid working. When we had qualified and quantified the requirements, we initiated a complete transformation project. After an analysis, we decided to move to new offices opposite Lausanne railway station. The workstations are ideal for flexible use, since they are no longer tied to a specific person. To collect information about best practices, we visited several clients that had already successfully implemented this concept. Although this system will bring major changes for everyone, we expect the teams to stay together in the future. The aim is to create a pleasant and efficient working environment that enables both interaction and concentrated working.

Health & Benefits

General conditions are changing



STEFHAN LEUENBERGER
Member of the Executive Committee

The financial markets were shaken in 2022 by inflation and war, making it one of the worst years for investments. In 2021, many insured persons were enjoying high interest rates on their pension fund retirement assets, thanks to a brilliant year on the stock markets. But in 2022 pension fund coverage ratios deteriorated significantly, making it all the more important to precisely analyze pension fund stability when switching. You win some, you lose some, right? In the short term, yes – in the long term, no. This is true only with prudent investment management, a sensible reserve and interest rate policy and the right course setting. Switzerland can be proud of its sound pension system. Let's look after it and safeguard it for the future.

PERSONAL INSURANCE – A HARD MARKET

The personal insurance market was tough again in 2022. Our specialists fought for sensible insurance solutions that can be sustainably financed for our clients. Daily sickness benefit insurers make cautious calculations in the post-pandemic world, build in reserves and restructure if claims progress poorly, sometimes with steep premium surcharges. I do not anticipate this situation easing or premiums lowering for the time being.

Against this backdrop, it is imperative that companies reduce employee absenteeism. Long-term cases of illness with high benefit payments should be avoided. Many HR departments are overloaded. Our work is influenced by restructuring, a shortage of skilled workers and social developments – issues that will continue to challenge us in the future too. Attractive employers have an advantage in this respect. Healthy and motivated employees, low employee turnover and attractive pension plans and insurance solutions are key to success. We offer support in this respect with our consulting services in HR Risk Management. I would like to thank all our employees for their hard work and their willingness to go the extra mile and help our clients overcome these challenges.

Pension fund administration

New challenges ahead



NATALIE KOCH
Director Kessler Benefits Inc.

Pension funds are managed by boards of trustees. They are functioning militia systems. That is a major advantage. This system strengthens the public's interest and provides practical participation in pension benefits, which affect us all. Many people around us are part of a joint committee.

In 2022, there were many innovations in areas that have an influence on pension benefits. Innovations mean familiarization, further training and adaptation. So the joint committee must remain flexible and show commitment – this is the only way they remain informed and able to fulfill their duties in the interests of insured persons.

INTERNALIZING NEW GENERAL CONDITIONS

The reform of supplementary benefits has been in force since 2021. This will be followed by the complete overhaul of the Federal Act on Data Protection (revFADP) on September 1, 2023. Additionally, changes have been agreed about the OASI reform and ASIP's recommendations on minimum standards associated with ESG reporting. All of this has a major impact on our work as pension fund administrators. In 2022, we provided our teams with information and training on these topics. At the same time, we have adapted our processes and IT interfaces, taking into account some additional elements in the ISAE-3402 report.

A NEW ONLINE PORTAL

Pension benefits are becoming increasingly complex. The biggest challenge is making pension benefits easier for insured persons to understand. We want everything to be as simple as possible for our clients; thus, we set up an intuitive and efficient online portal at the start of 2022. Our IT team is continuously further developing this portal, so insured persons can always derive added value from it.

We are optimistic about the future. With forward planning, our teams in Zurich and Lausanne are optimally equipped to master the challenges that lie ahead. Our motto – “A secure future” – fits perfectly.

Risk Consulting

Risk means dealing with uncertainty



SIMON KÜNZLER
Director Kessler Consulting Inc.

Are you one of the many people who prepare a budget for the coming year in the autumn? And do you also try to plan for the near future to the best of your ability? People who do this aim to make optimum use of future expected developments. But the sentiment put forward by poet Wilhelm Busch also rings true for 2022: "Things never turn out the way you expect them to." With that thought in mind, it is pertinent to note that the year 2022 was characterized by unpredictable developments.

TREND TOWARD VALUE-BASED RISK MANAGEMENT

Once again, businesses needed to be agile. In our risk consulting project work, we find that changes are occurring faster and more and more frequently. Often without any signs or prior warnings. In an increasingly complex world, this presents our clients with major operational, financial and strategic challenges. Accordingly, value-based risk management in terms of taking a holistic and dynamic approach to business risks was a key element in the demand for our consultancy services last year. In countless projects, my experienced and dedicated team and I held strategic risk dialog with managers with the aim of identifying the strategic risk landscape relevant to each company and integrating it into the corporate context. On the one hand, we are helping to boost competitiveness and, on the other, we are increasing companies' ability to adapt to change.

Developing scenarios is also an effective guide when dealing with uncertainty. Unlike in the previous years that were characterized by the COVID-19 pandemic, my team and I experienced a real revival of physical and interdisciplinary risk management workshops. I am aware that the future will remain unpredictable as mentioned above. But I am also convinced that our risk management services will continue to provide our clients with valuable guidance.

Sites

For you on site

AT HOME IN SWITZERLAND – CONNECTED TO THE WHOLE WORLD



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