

## **Supervision of health insurers**

### **Analysis of supervision by the FOPH and FINMA**

#### **Key facts**

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The supervision of health insurance is shared by the Federal Office of Public Health (FOPH) and the Swiss Financial Market Supervisory Authority (FINMA). The FOPH is responsible for the supervision and premium approval of social health insurance and FINMA is responsible for supplementary health insurance. The SFAO has come to the conclusion that the supervision is carried out in line with the statutory requirements. The new Federal Act on the Oversight of Social Health Insurance, which will probably enter into force on 1 January 2016, will strengthen the FOPH's position. The collaboration between the two supervisory bodies will be regulated by law for the first time.

The SFAO examined the framework conditions and methods of the supervisory activities with respect to health insurers. In particular, the strategy, the instruments, the risk orientation and the interfaces between the two supervisory bodies were assessed. The SFAO's assessments are based on the information received and the analysis of documents and case studies. The SFAO produced a report for each of the two supervisory bodies FINMA and the FOPH\*. The most important findings are summarised in this report.

#### **The separate supervision of basic and supplementary insurance is comprehensible**

From an actuarial perspective, the separation of supervision between the FOPH and FINMA is comprehensible. On the one hand, there is voluntary private insurance in accordance with the Insurance Contracts Act and on the other, mandatory social insurance in accordance with the Health Insurance Act. With the introduction of the new oversight act for mandatory health insurance, there will be a regulatory framework for the supervision carried out by the two supervisory bodies.

FINMA and the FOPH are in favour of the institutional separation of basic and supplementary insurance, which has been reaffirmed within the scope of the current revision of the Health Insurance Act. In this way, it would be possible to improve monitoring of company-wide risks. Transparency could be improved and the division of tasks between the two supervisory bodies could be clearer and more effective.

#### **Supervision is being implemented in accordance with the legal provisions**

The SFAO has concluded that supervision is carried out in line with the statutory requirements. The instruments employed for the supervisory activities of the two supervisory bodies with regard to the protection of the insured persons from insolvency risks and abuses are effective and comprehensible. The guidelines for insurers and also for audit firms are described in detail.

The FOPH used the forthcoming introduction of the new law and the reorganisation of the Insurance Supervision Division conducted last year to update the description of the tasks and core processes.

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\* *Supervision of the FOPH in the area of health insurance, Bern, 1 April 2015 (audit mandate 14308) and supervision of FINMA in the area of health insurance, Bern, 11 June 2015 (audit mandate 14472).*



### **A small number of interfaces but there is potential regarding the exchange of information**

The assumption that there are many interfaces between FINMA and the FOPH and as a result that there is duplication in supervision cannot be confirmed by the SFAO on the basis of current knowledge. In addition, there were no indications of auditing gaps. This was confirmed by the external auditors, which play a crucial role in the existing supervisory system within the scope of the audit of the financial statements. It is important for the SFAO that their independence is ensured at all times.

Up to now, the exchange of information between the FOPH and FINMA has been on an informal and case-by-case basis. The new Health Insurance Oversight Act will form the legal basis which has been lacking up to now for coordinated cooperation. The SFAO expects that this new possibility under the law will be fully utilised.

### **The new oversight act for basic insurance will strengthen the FOPH's supervision**

The new Federal Act on the Oversight of Social Health Insurance will close certain gaps in supervision and contains measures to strengthen the FOPH's powers and responsibilities as a supervisory authority.

Numerous provisions to protect health insurers and their policyholders will be modified. These concern corporate management, risk management, the internal control system and corporate governance, among other things. Moreover, more stringent specifications in the area of financial security have been defined and the sanction possibilities in the event of misconduct have been made tougher.

### **The supervised parties are critical of the new oversight act**

Insurance companies support effective supervision and are not calling into question the principle of separate supervision. However, they are critical of the new oversight act for social health insurance. Generally speaking, there are objections to the high degree of regulation, which is felt to be detrimental. They believe that the specifications will lead to increased bureaucracy and thus to additional administrative costs.

The true repercussions of the new oversight act which was adopted by Parliament in autumn 2014 before the vote on the unified health insurance fund and the still outstanding ordinance cannot be assessed by the SFAO before it enters into force.

### **Original text in German**