

# Swiss Insurance Intermediary Survey 2023

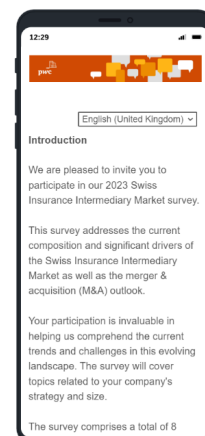
In Q4 2023, PwC conducted its first ever survey on the Swiss insurance intermediary market. The survey was shared with nearly 100 brokers<sup>1</sup> who are actively involved in the Swiss market.

Our survey comes as the Swiss insurance intermediary market garners continued interest from global and European players. In 2023 Switzerland witnessed the announcement of 9 insurance broker deals, with the most notable being the acquisition of Assepro by UK-based Ardonagh Group. Assepro has been the most active Swiss broker consolidator in recent years.

Among the key market consolidators are also US-based AJ Gallagher and UK-based Howden Group, which have both announced deals in Switzerland during 2023.

Our survey aims to provide insights into today's Swiss insurance intermediary market composition, emerging trends and what the future of the market may look like based on inputs from executives, industry experts and peers alike.

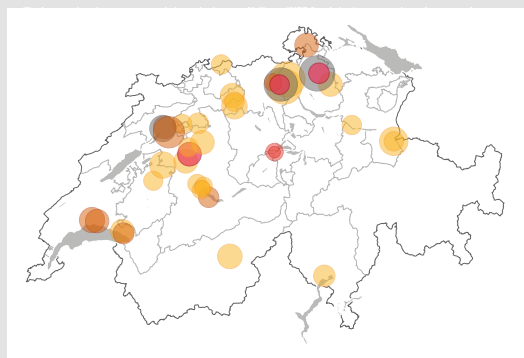
But first, we take a broader look at the insurance broker landscape in Switzerland.



<sup>1</sup> Derived from the public register of SIBA, ACA and LSBA members as of October 2023 – see Overview of Swiss Market for further detail.

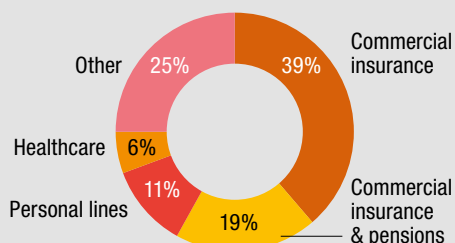
## 1. Swiss broker landscape

Graph 1: Concentration of Swiss broker headquarters by number of employees



Source: FINMA list of registered brokers as of Dec 2023

Graph 2: Key broker sectors in the Swiss market by number of brokers



Source: SIBA, ACA members lists and PwC Analysis

## Overview of Swiss market

All insurance brokers domiciled in Switzerland must be registered with the Swiss financial services regulator, FINMA. As of Dec 2023 there were 2,423 insurance broking businesses on the register. There are two main insurance broking membership bodies in Switzerland:

- The Swiss Insurance Broking Association (SIBA), which is based in Basel and is predominately made up of German-speaking insurance brokers; and
- The Association des Courtiers en Assurances (ACA), which is based in Lausanne and is predominately made up of French-speaking insurance brokers.

In Dec 2023, membership of SIBA stood at 100 and ACA had 81 members. The head office locations of brokers are concentrated in the Canton of Zurich, with Geneva being the second-largest broker hub in Switzerland.

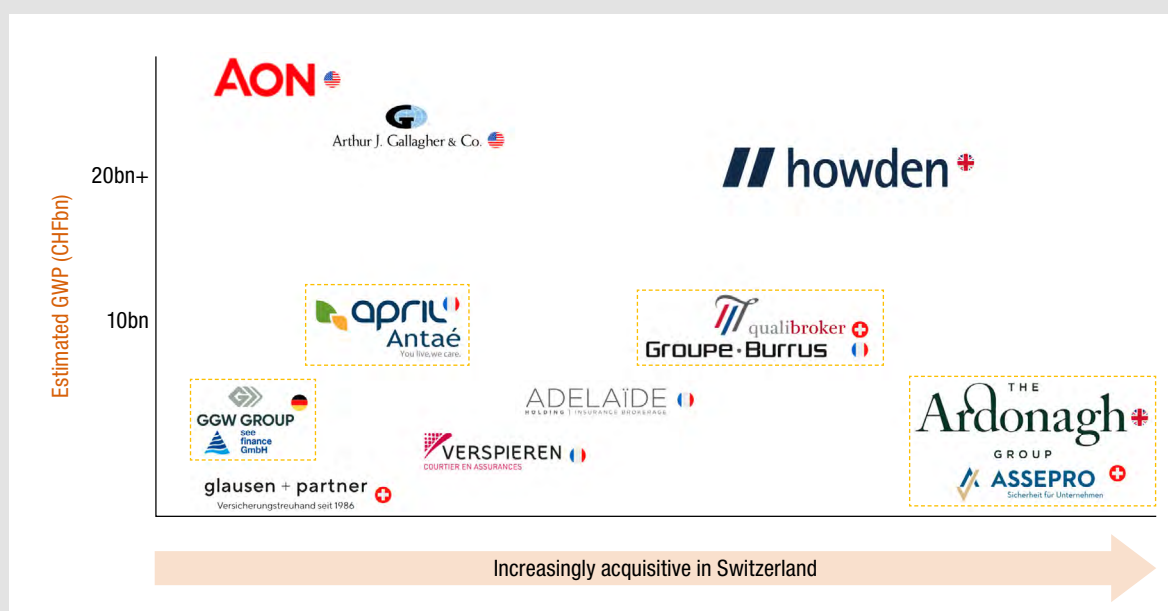
In addition, the Lloyd's Swiss Broker Association (LSBA) is a membership group representing the interest of Swiss brokers in the Lloyds market. In Dec 2023 there were 20 members, of which 7 are also SIBA members.

## Brokerage services

Brokers in Switzerland predominantly position themselves as corporate risk subject matter experts who manage the entire risk profile of their clients, selecting appropriate insurance coverage and issuing a single invoice.

Lines of business typically include commercial insurance, administration of second pillar employee pension schemes, personal lines, healthcare and others (general, commercial insurance (Lloyds) and financial planning among others).

Graph 3: Leading insurance broker consolidators active in Switzerland<sup>2</sup>



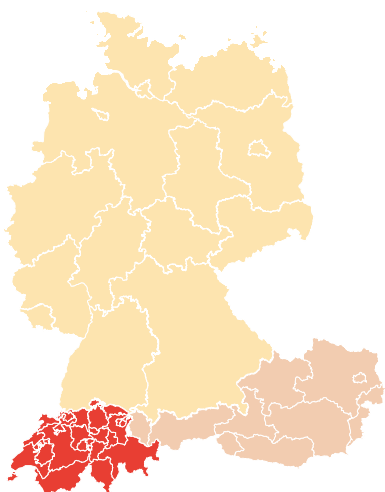
<sup>2</sup> This graph represents select consolidators active within the Swiss insurance brokerage market over the past 5 years (FY19 – FY23). Note that estimated GWP is based on the most recent financial information made available in the public domain.

Graph 4: Swiss insurance broker deal activity FY23

Acquirer	Target	Completed Date	Acquirer Geography
Howden Schweiz AG	Haakon AG	05-Dec-23	Switzerland
Ardonagh Group Ltd	Assepro AG	31-Oct-23	United Kingdom
Assepro AG	INSURA Consulting Urech & Partner AG	01-Sep-23	Switzerland
Howden Group Holdings Ltd	RVA Versicherungsbroker AG	21-Jun-23	United Kingdom
Howden Group Holdings Ltd	Hudson Sky International SA	04-May-23	United Kingdom
Arthur J Gallagher & Co	AccurART Kunstversicherungsmakler AG	04-May-23	United States
Howden Group Holdings Ltd	Argenius Risk Experts AG	03-May-23	United Kingdom
Neutrass	Finas Broker AG	23-Feb-23	Switzerland
Qualibroker	ProConseilis SA	06-Feb-23	Switzerland

## DACH M&A overview

Germany, Austria, Switzerland (DACH) form one of the most fragmented insurance broking markets in Europe, and have seen accelerating consolidation. In H1 2023 over 80% of deals in this region have been acquisitions of distribution and service providers, with private equity-owned broker consolidators strategically leveraging market fragmentation to pursue their growth strategies.



## Switzerland M&A overview

### Activity

In 2023 the Swiss insurance intermediary M&A market was dominated by foreign consolidators, such as UK-based Ardonagh Group and Howden Group Holdings Limited. These consolidators are backed by leading private equity firms, who maintain an ongoing interest in the insurance brokerage sector due to its comparatively low capital requirements and the ever-present necessity for insurance products. The commercial insurance sector remains particularly appealing given its future growth potential, favourable regulatory environment, high margins and stable returns.

### Outlook

We anticipate interest in the Swiss insurance brokerage market to continue, as investors pursue transformational opportunities to optimise revenue growth via cross-selling, geographic expansion and the realisation of economies of scale. To fully leverage this potential and capture maximum value, consolidators who traditionally favoured a “light-touch” approach in their acquisitions must now evaluate the advantages of integrating targets onto their platforms. This consideration becomes especially relevant as acquirers explore innovative investments to digitise and enhance their solution’s offerings.

Nevertheless, the foremost obstacle for acquirers within the insurance brokerage space is navigating through cultural differences. Acquirors need to keep this in mind and engage with targets in a benevolent manner, especially considering the prevailing founder-led organisational structure.

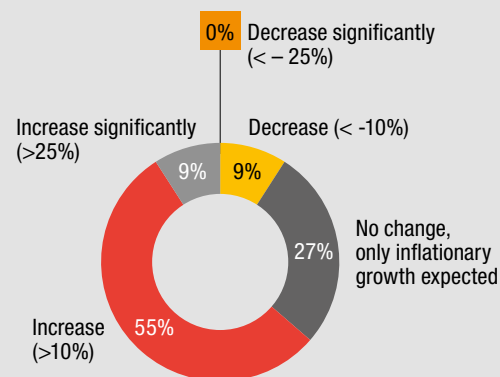
We asked respondents how they expect the Swiss insurance intermediary market to grow over the next 5 years.

## Swiss brokers have a positive outlook on the market



64% of brokers surveyed expect the local market to grow by at least 10% in the next 5 years – echoing the general sentiment of the global insurance brokerage market. Drivers of this growth trajectory are discussed in further detail later on. The remaining majority (27%) expect the market to grow in line with inflation during the same period, whilst only 9% of brokers surveyed expect the market to shrink by less than 10%.

Graph 5: Growth expectation for Swiss market



Source: Survey results – PwC Swiss Insurance Intermediary Market 2023

Given the market growth expectations, we asked respondents to rank the potential future growth drivers.

## There is a general consensus that increasing demand, product development and consolidation are expected to be the key drivers of future growth

Increasing insurance demand, product development and entry into new lines of business were the most prioritised growth opportunities by survey participants. Demand for commercial lines products has been especially evident, and is expected to continue due to increased risk awareness (e.g. cyberattacks, natural disasters). In addition, underwriters will need to find ways to provide specialised coverage to address the evolving needs of clients.

As previously mentioned, consolidation within the insurance brokerage space has accelerated across the broader DACH region. Survey participants have acknowledged that the market in Switzerland remains highly fragmented and is ripe for M&A.

Interestingly, participants found technological enhancement to be a lower-priority growth driver. This is most likely due to the perception of relatively high capital investment required to achieve long-term growth. However, we see an opportunity with insurtechs gaining visibility in the market, addressing the need for innovative and digital capabilities in order to enhance the customer experience and reduce operational expenses.

Few Swiss brokers are prioritising obtaining new investment or expansion into new countries to fuel future growth.

## Other growth opportunities identified

Respondents noted other growth opportunities that may also impact the market, such as Insurtech capabilities and services offered beyond insurance by brokers.

Graph 6: Growth drivers

Priority	Opportunity	Avg. rank
	Increasing demand	2.5
	Product development and new LoB's	2.5
	Consolidation	2.6
	Technological enhancement	3.7
	M&A providing access to new capital	4.8
	Expansion into new countries/regions	4.9

**1** Most likely growth driver

**5** Least likely growth driver

Source: Survey results – PwC Swiss Insurance Intermediary Market 2023

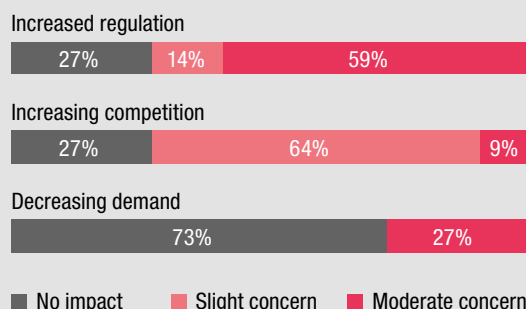
Respondents were asked how concerned they are regarding increased regulation, increased competition and decreasing demand.

## 59% of brokers surveyed are moderately concerned by the impact of increased insurance regulation

The response to increasing regulation was a key focus of many of the companies surveyed. The revised Insurance Supervision Act (ISA) and the revised Insurance Supervision Ordinance (ISO) have entered into force effective 1 January 2024, with stricter registration requirements, further educational and training requirements, financial surety requirements and new reporting requirements to FINMA amongst others.

64% of survey respondents expressed a slight concern about the impact of new entrants and consolidation in the market, whilst fewer (27%) expressed concern about the possibility of decreasing demand in the Swiss market.

Graph 7: Key concerns



Source: Survey results – PwC Swiss Insurance Intermediary Market 2023

## Other industry-wide topics of concern

Respondents noted that other industry-wide topics of concern are:

- The impact of artificial intelligence (AI) on the market as well as continued digitisation;
- The continued attractiveness of the insurance market in Switzerland compared to other territory offerings;
- Lack of services and quality of service in insurance companies;
- Skilled labour shortage;
- Inflation and geopolitical uncertainties with consequences for the insurance market;
- Pressure by insurance companies on smaller brokers for increased sales, otherwise the cooperation agreement is at risk and the risk of independence is being lost; and
- IT security.



Respondents were asked if they would consider an acquisition or whether their business might benefit from economies of scale.

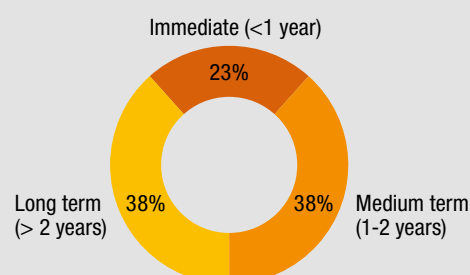
## M&A considerations

More than 50% of respondents noted that their business might consider:

1. a bolt-on acquisition; or
2. may benefit from the economies of scale of being part of a larger group.

Out of this subset of respondents, 23% are considering this in the immediate future (<1 year), and the rest split evenly at 38% over the medium term (1-2 years) and long term (>2 years).

Graph 8: Timeline for future acquisitions



Source: Survey results – PwC Swiss Insurance Intermediary Market 2023



We asked survey participants to indicate their company's KPI metrics, such as the commission rates achieved and gross written premiums on the business placed.

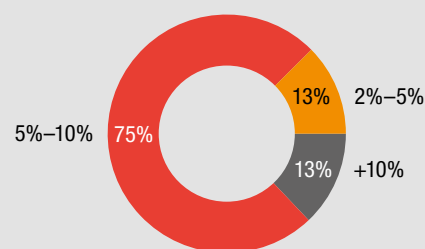
## The majority of brokers surveyed achieve commission rates between 5% and 10%

75% of respondents achieve commission rates between 5–10%, whilst the remaining 25% were split equally between those that achieve between 2% and 5% and those achieving over 10% on average.

We have separately determined Gross Written Premium (GWP) per registered advisor at each of the broker respondents<sup>3</sup>. At the larger brokers (those placing over CHF 100m premium a year), this figure was significantly higher than at smaller brokerages. The larger broker respondents indicated that they generate over CHF 20m GWP per FINMA-registered individual. This demonstrates the benefits of operating at scale as an insurance broker.

3 GWP placed / # of registered advisors (where disclosed)

Graph 9: Commission rates achieved



Source: Survey results – PwC Swiss Insurance Intermediary Market 2023

Benchmark set at > CHF 20m GWP per advisor for at scale businesses

### Methodology & limitations:

Our starting point for our review of the key participants in the Swiss insurance intermediary market were the LSBA, ACA and SIBA member listings. In total, we have researched around 100 of the registered brokers in Switzerland. This includes selected other businesses that are known to us but are not members of any association.

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