

Report of the Management

EXTERNAL FINANCIAL SERVICES

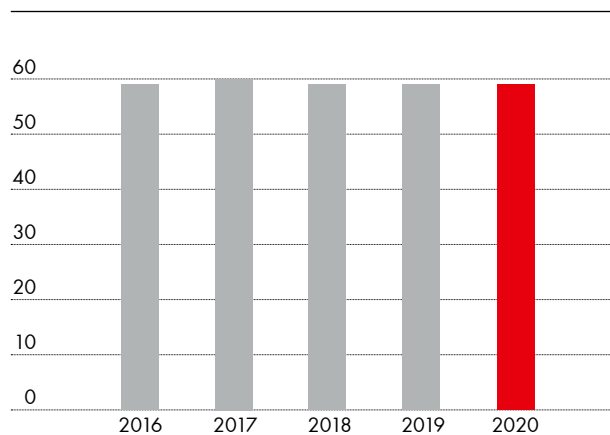
Despite the difficult situation caused by the pandemic, Würth Financial Services AG (“WFS”) saw an increase in both sales and operating result in 2020. WFS can look back on a successful year, during which the unique circumstances demanded a high degree of flexibility from clients, employees and partner organisations.

Market situation

The public discussion regarding the coverage of SMEs in the event of a pandemic increased the pressure on insurance brokers last year in their role as intermediaries between clients and insurers. Explanations for the restrained positions and the unwillingness of insurance carriers to pay were difficult to find and revealed the extent to which underwriters had underestimated the risk of a global pandemic. Providers with exposure to the travel insurance sector suffered additionally at the hands of the pandemic, and the cancellation of major events (the Summer Olympics, Wimbledon, Weltklasse Zurich, among others) also led to high insurance payouts.

Under the pretext of COVID-19, some insurers reacted with massive premium hikes, especially in sectors that had already experienced high claims rates over the past few years. The coronavirus pandemic disrupted the downward trend in premiums, with higher premiums resulting in a change of circumstances for many clients. Despite intensive negotiations with insurers, in many cases insurance brokers could not prevent rising premiums for their clients.

Number of staff



The trend towards the consolidation of the insurance broker market continues unabated. A number of acquisitions and mergers were again announced in Switzerland, as well as internationally, in 2020. The most significant such transaction is Aon’s acquisition of Willis Towers Watson. Nationally, the merger of many smaller insurance brokers with larger partners demonstrates that going it alone is becoming increasingly difficult and that the critical size in the broker market is growing. A broad base of services provided by specialist teams, an international network providing global client solutions, and major investment in digitalisation and processes are key elements in broker organisations’ long-term success.



“Würth Financial Services AG is well placed to cushion the impact of the pandemic and its possible knock-on effects for the economy as a whole, and is moving into the future stronger.”

Adrian Parpan
Managing Director, Würth Financial Services AG

Focal points in the financial year

Dealing with the pandemic tied up our resources last year. In addition to protecting employees and ensuring business operations continued, credit card insurance was a particularly demanding area for WFS. As Switzerland’s leading credit card insurance broker, WFS normally handles an average of around 15 travel insurance-related claims each day. In 2020, peak days saw more than 500 such claims reported as a result of the COVID-19 travel restrictions. It was possible to handle this extraordinarily high number of claims only thanks to the organisational changes implemented and the flexibility shown by employees.

With regard to sales, the lockdown meant that many business development projects had to be postponed from March onwards. In the corporate client business, the servicing of existing clients via digital channels worked very well. Personal contact is still crucial for the successful acquisition of new clients. Fortunately, sales activity was able to start making a comeback in June. The results in the following weeks exceeded expectations. It was certainly helpful that there had been somewhat of a shift in companies’ risk assessments: against the backdrop of a global pandemic, other risks such as cyber attacks suddenly seemed like a more realistic scenario, leading to an increase in demand for coverage.

WFS also reached a number of process milestones in 2020. The integration of Optima Versicherungsbroker AG (“Optima”) was the main focus: Optima was integrated into the WFS IT infrastructure as early as March, and the centralisation of the back office was completed in June with the relocation of non-field employees from Chur to Rorschach. The legal merger of WFS and Optima was completed in June, with retrospective effect from 1 January 2020. The completion of Optima’s technical and organisational integration took place soon after, with the migration of client data to the WFS management system at the end of July.

WFS reached the next phase in its digitalisation when its new client portal went live in August: the client portal is an electronic communication channel between clients and WFS. It enables not only the electronic dispatch of invoices, insurance policies and general information, but also the direct entry of claims notifications. Thanks to the client portal, process steps can be streamlined and cycle times massively reduced.

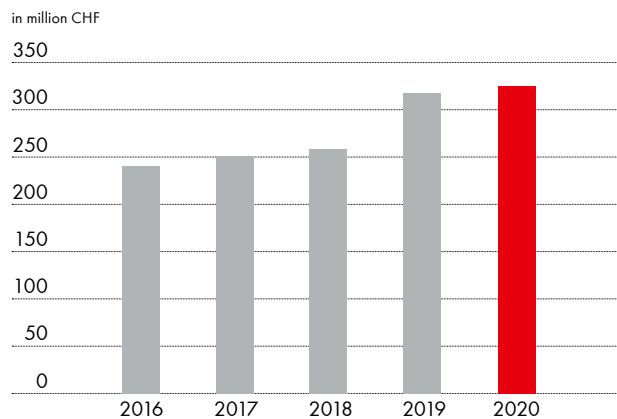
Business performance 2020

The business performance of WFS in 2020 was very encouraging. The division realised above-average revenue growth of nearly 13%, in part due to the takeover of Optima (net of acquisitions: growth of 3%). This positive development is also reflected in the number of clients and the volume of insurance premiums: in the corporate clients business line, the number of clients served totalled nearly 3,500. The premium volumes under management at the end of 2020 reached CHF 325 million.

The headcount as at the end of December 2020, which consisted of 32 sales consultants and 27 office staff, remained stable on the previous year. As a result, productivity improved significantly. The centralisation of the specialist pool had an especially positive effect on the office staff's productivity. It rose by more than 10%. WFS was cautious about increasing the number of sales representatives in 2020 due to the economic uncertainty caused by the COVID-19 pandemic. However, the expansion of human resources at all locations remains the stated goal.

Administrative expenses were maintained at the previous year's level in 2020. Investments in digitalisation led to a significant increase in IT expenses compared with the previous year. This higher expense is deliberate and likely to continue in the future: increasing the degree of automation is a defined objective for WFS and an essential prerequisite for successful business development over the long term.

Development of premium volume



Outlook for 2021

Although WFS can report a very successful 2020, there are some uncertainties ahead in 2021. Clients' sales and wage reports will be lower, directly impacting premium volumes. In addition, it is to be expected that business closures and bankruptcies will increase, particularly in sectors more severely affected by the pandemic.

The degree to which this development will impact key figures is hard to predict. As the most important measure, WFS will place a strong focus on sales activities. Thanks to its strong positioning in the Swiss broker market, the continued development of its business model, its valuable integration into the Würth Group with its exceptional corporate culture and high level of financial stability, WFS is in an excellent position. WFS is well placed to cushion the impact of the pandemic and its possible knock-on effects for the economy as a whole, and is moving into the future stronger.



Adrian Parpan
Managing Director



Beat Jordan
Managing Director



Luciano Viotto



Hans-Jürg Flury

EXTERNAL FINANCIAL SERVICES AT A GLANCE

Core business

The External Financial Services division operates under the legal entity of Würth Financial Services AG, one of the leading independent providers of pension and insurance services to corporate clients and private persons in Switzerland.

Experienced consultants and highly qualified specialists draw up tailor-made solutions and advise clients on the best choice of pension and insurance products.

Services

- Insurance brokerage for corporate and private clients
- Claims management
- Pension fund advisory services for corporate clients
- Insurance solutions for credit card issuers

Facts and figures (at 31 December 2020)

Number of corporate clients: 3,500

Premium volume: CHF 325 million

Number of employees: 59

Five locations: Rorschach (head office), Zurich, Lugano, Arlesheim and Chur