Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

FACT SHEET 1 FEBRUARY 2018

Private life insurers in the second pillar

Life insurers manage around one fifth of second-pillar assets and insure some 1.8 million employees, primarily at small and medium-sized enterprises in Switzerland. Approximately one quarter of pensioners in Switzerland receive occupational pension annuities from one of the eight life insurers operating in the group life business.

Life insurance companies play an important role in occupational and private pension schemes in Switzerland. As regards occupational pensions, they manage investments totalling approximately CHF 190 billion. This equates to about one fifth of all pension assets in Switzerland, which amount to almost CHF 983 billion (as at the end of 2016). Just over 1.8 million of the country's 4.1 million active policyholders, i.e. slightly fewer than half, are insured with private life insurers under group life insurance contracts. Around 1.1 million people in Switzerland draw an occupational pension. Almost 250,000 – roughly a quarter – of these are served by life insurers.

The function of life insurers

Life insurers cover the risks of old age, disability and death in the second pillar. They do this for both individual and group pension schemes that are not large enough to bear all or parts of their insured risks themselves. Pension schemes conclude group life insurance contracts with private life insurers for this purpose. Life insurers are subject to ongoing supervision by FINMA. They are monitored using a risk-based approach, meaning that FINMA focuses mainly on the larger institutions with greater links to the rest of the financial sector. The main aim of this supervision is to safeguard the supervised companies' solvency by ensuring that all risks are assessed in an economically correct manner and underpinned with sufficient capital, which must be raised at market conditions. Life insurers operating in the second pillar must meet stringent requirements in terms of security, solvency and market conduct. This allows them to exert a stabilising influence on the second pillar system.

The two levels of the second pillar

Occupational pensions are provided by pension schemes – legally independent personal or group pension schemes – that are subject to the Swiss Federal Act on Occupational Old Age, Survivors' and Disability Pensions (Occupational Pensions Act, OPA). These pension schemes are supervised by cantonal authorities, which are in turn accountable to a national oversight commission (OAK). Private life insurers that reinsure some or all risks and take on some or all capital management for personal and group pension schemes are subject to the Insurance Supervision Act (ISA). The monitoring of private life insurers falls within FINMA's remit.

	First level	Second level
	Pension schemes (personal, group and multi-employer pension schemes)	**Private life insurance companies**
Type of institution	Legally independent, non-profit entities	Profit-oriented private companies
Legal form	Foundation, cooperative or public-law entity	Joint-stock corporation or cooperative
Task and function	Covering risks associated with occupational pensions (old age, death, incapacity for work, etc.)	Insuring pension schemes / reinsuring pension schemes' risks
Legal basis	Occupational Pensions Act (OPA)	Insurance Supervision Act (ISA)
Supervisory organisation	Decentralised, cantonal governments	Centralised, federal government
Supervisory authority / authorities	National oversight commission (OAK) as well as regional and cantonal supervisory authorities	Swiss Financial Market Supervisory Authority FINMA
Risk assessment	Coverage ratio	Tied assets and Swiss Solvency Test (SST)
Liability	Employers and policyholders bear losses	Life insurers bear losses

One second pillar, two different functions

The history of the Swiss pension system
Occupational pensions were first created in the 19th century following the industrial revolution, when railway operators and companies in other progressive industries in particular set up schemes for the welfare of employees and their dependents. The principle whereby employers contribute to their employees' occupational pensions was later enshrined in employment law, and occupational pensions were granted tax exemption in 1916.

It was not until 1972 that a referendum led to compulsory occupational pensions being written into the Constitution as the second pillar of pension provision alongside the state old age pension (first pillar) and private retirement savings (third pillar). However, a further 13 years passed before Switzerland's internationally pioneering three-pillar model was finally enacted in law in 1985.

Occupational pensions have been a compulsory pension component in Switzerland ever since. Some 2,300 pensions schemes provide cover in the second pillar. Larger employers run their own pension schemes, while smaller ones sign up to group or cooperative schemes.

Transparency report
Every year FINMA issues a transparency report setting out figures for private insurers who manage second pillar schemes. This report enhances the transparency of their business activities.

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