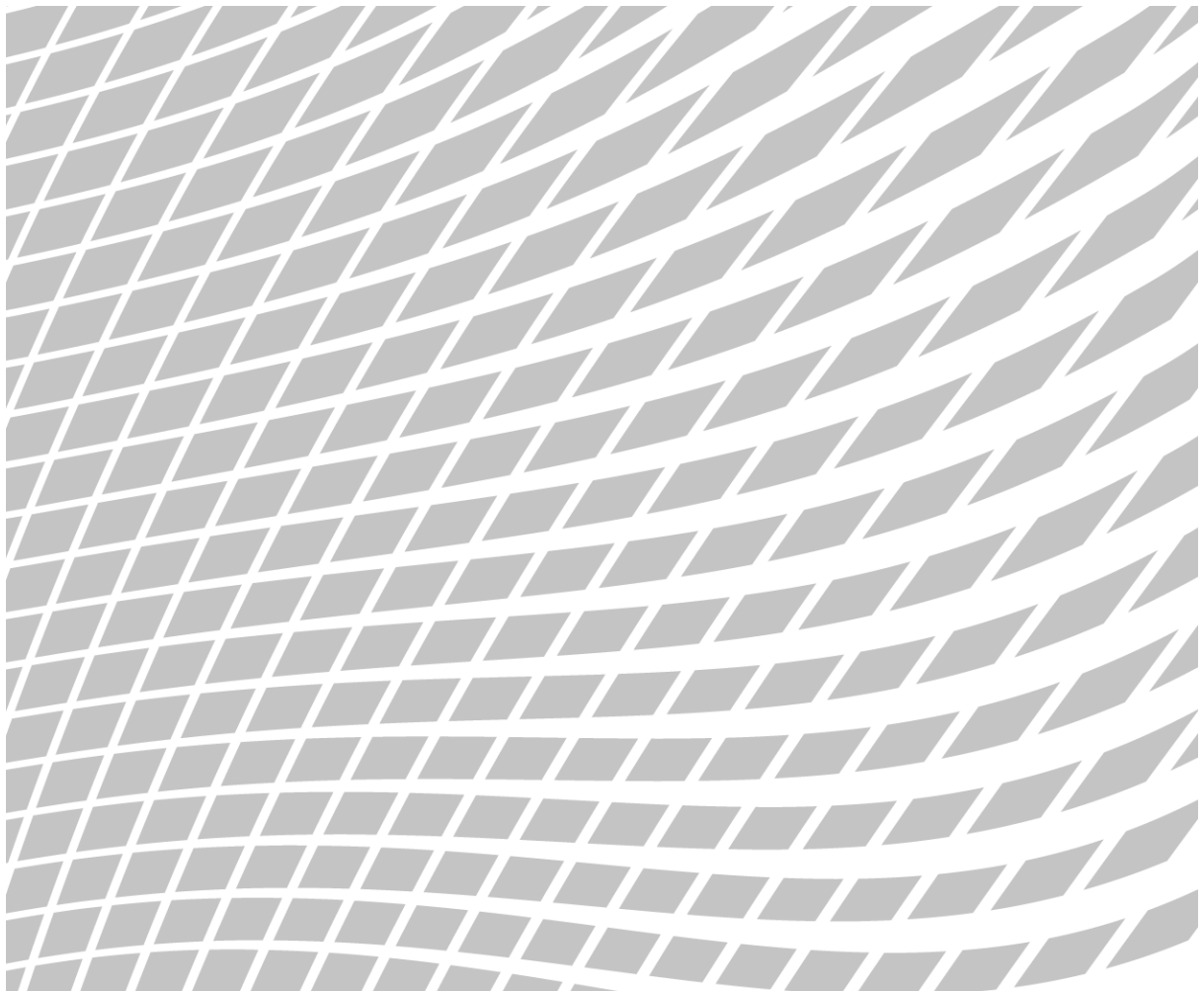


13 July 2010

Circular 2010/x

Technical provisions for reinsurance

Key points of the consultation



Key points

Technical provisions represent the largest share of a traditional insurance company's liabilities. An insufficient level of provisions can impact heavily on a company's solvency. The requirements involved in determining technical provisions as set out in this Circular are of major importance in protecting insured parties against the risk of insurance companies becoming insolvent.

The basis for regulating technical provisions was put in place with the Insurance Supervision Act (ISA; SR 961.01) and the Insurance Supervision Ordinance (ISO; SR 961.11), both of which entered into force on 1 January 2006.

The requirements defined in this Circular relate to reinsurance business and are directed at all insurance companies active in this business. The purpose of the Circular is to ensure that insurance companies create a sufficient level of provisions.

The Circular follows a principle-based approach. It is incumbent upon the actuary responsible to secure the necessary room for manoeuvre for bringing to bear his or her expertise and experience in determining technical provisions in a manner that is as precise as possible.

The calculation of technical provisions is subject to stringent demands in terms of the documentation and information procedures necessary. Models, methods and assumptions must be clearly documented and justified. The analysis of whether technical provisions are sufficient must be documented by the actuary responsible.

The requirement, whereby overall technical provisions must be calculated by companies themselves and, taking into account uniform standards, ensures that technical provisions can be reliably assessed on a global basis. It increases transparency and simplifies control.

The consultation ends on 15 September 2010.