

## Press release

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# 2008 financial reporting on occupational pension schemes

**2008 was the fourth year in which the private life insurance segment in Switzerland provided comprehensive financial reporting on occupational pension schemes. As previously, guaranteed insurance obligations remain covered in full by tied assets that are held separately from other corporate assets. 100% of the proceeds earned from savings, risk and cost processes in the 2008 operating year flowed back in their entirety to the insured persons in the form of insured benefits, increased technical provisions and participation in surpluses. Consequently, the average earnings distribution was in excess of the legally prescribed minimum of 90%.**

The system of reinsurance and full cover of benefit obligations applied by private life insurers to occupational pension schemes was put to the test by the financial crisis in 2008 – and the system proved reliable. As previously, guaranteed insurance obligations remain covered in full by tied assets that are held separately from other corporate assets. 100% of the proceeds earned from savings, risk and cost processes in the 2008 operating year flowed back in their entirety to the insured persons in the form of insured benefits, increased technical provisions and participation in surpluses. Consequently, the average earnings distribution was in excess of the legally prescribed minimum of 90%. The negative operating result of CHF 906 million was borne solely by the life insurers. The surplus funds were allocated a total of CHF 434 million, while surplus participations in the amount of CHF 943 million were paid out to the insured parties.

As of 31 December 2008, eleven private life insurers operated the group insurance facility for occupational pension schemes, providing cover to a total of 2.16 million insured persons (prior year, 2.10 million) with overall technical provisions of CHF 121.9 billion (prior year, CHF 120.6 billion).

### **Guaranteed insurance obligations are covered in full**

To ensure that insurance obligations are fully covered, special assets referred to as tied assets are held separately from other assets specifically for this purpose. Tied assets are subject to strict invest-

ment regulations concerning asset quality, risk diversification, permissible asset classes, risk management and administration.

### **Distribution payout ratio was 10 percentage points above required minimum**

All proceeds earned from savings, risk and cost processes in the 2008 operating year flowed back 100% (prior year, 91.6%) to the insured parties in the form of insured benefits, improved technical provisions and participation in surpluses.

### **Reduced claims take pressure off negative operating results**

During the reporting year, claims for disability and death benefits continued to decline and thus counteracted the negative performance of capital investments. After making allocations to the surplus funds, a loss of CHF 906 million resulted, which the insurance providers charged to equity. The year before, operating results were positive to the tune of CHF 693 million. This development confirms the scenario calculations made by the supervisory authority and first published for the 2006 reporting year.

### **Continued decline in per capita costs**

Per capita costs declined further to CHF 424 (as compared to CHF 502 in 2005). This came about because the number of insured persons rose while at the same time the costs of the insurance providers were slightly lower than in the previous year. In 2008, one out of eleven (prior year, two out of twelve) life insurers reported a positive result in the cost process, while the remaining ten reported negative cost process results.

### **Compensatory role of the surplus fund**

Despite the cumulative negative result in the operating accounts, an allocation of CHF 434 million was made to the surplus funds. The insured parties received CHF 943 million paid out in surplus participations, which demonstrates the compensatory effect of the surplus funds. The capital accrued in the surplus funds is not contractually owed to the insured parties and may be treated as risk-bearing capital. Thus, collectively the insured persons may contribute to the preservation of the value of their pension assets. However, despite the poor results, these funds were not used to offset the deficit. The years of effort by the supervisory authority to achieve greater transparency through disclosure has had a positive effect on the behaviour of insurance providers.

### **Contact**

Alain Bichsel, Head Communication, Phone +41 (0)31 327 91 70, [alain.bichsel@finma.ch](mailto:alain.bichsel@finma.ch)