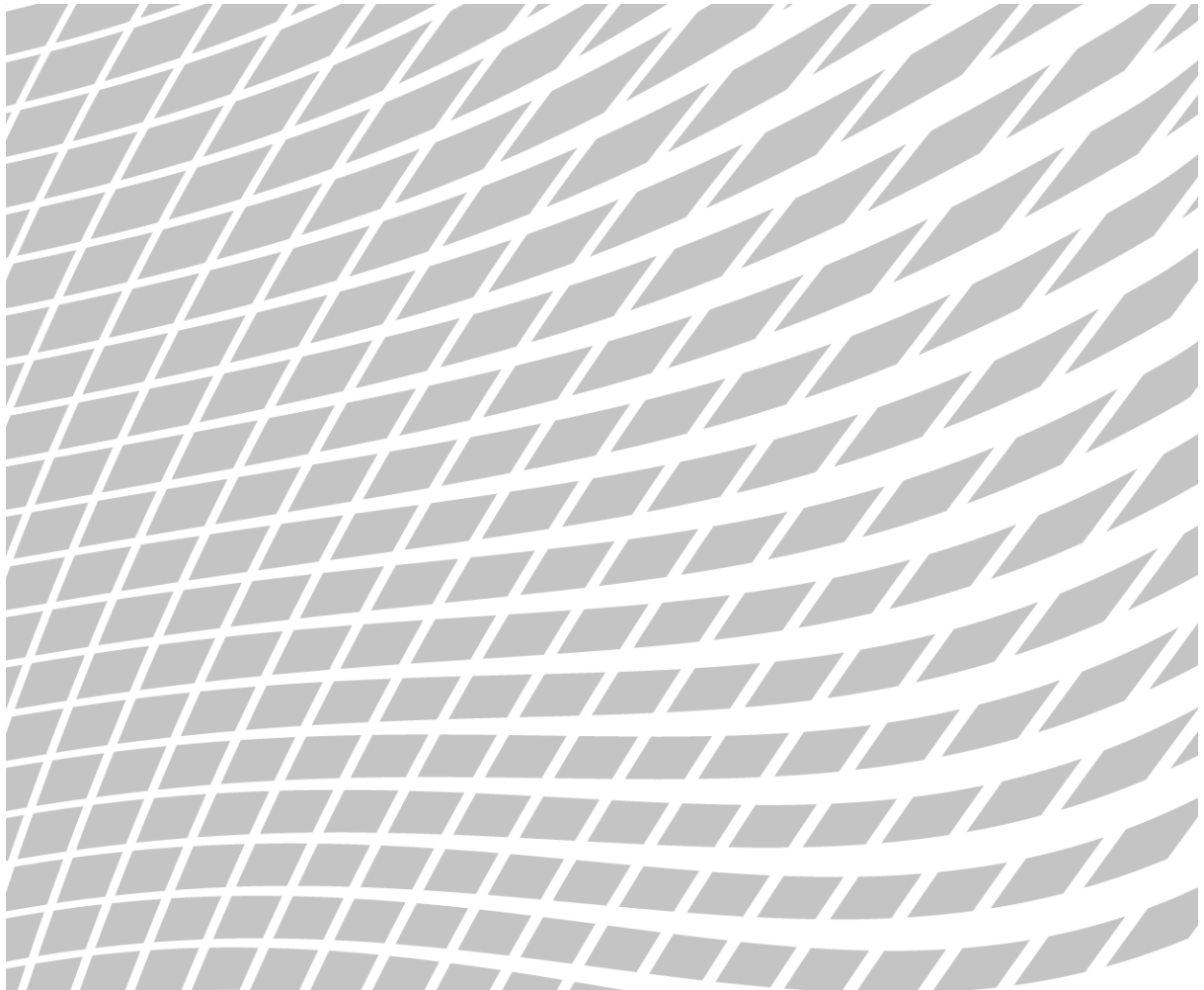


4 September 2013

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## Insurance market report 2012

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This report provides readers with an overview of the Swiss insurance market in 2012. The report is divided into four parts. The first part contains information about the market as a whole. Parts 2, 3 and 4 provide detailed information on the life, non-life and reinsurance sectors.

## 1 Market overview

### 1.1 Number of institutions by sector<sup>1</sup>

	Insurance companies domiciled in Switzerland	Branches of foreign insurance companies	Total
At the end of 2012 (at the end of 2011)			
Life insurance companies	19 (20)	4 (4)	23 (24)
Non-life insurance companies	81 (79)	42 (45)	123 (124)
Reinsurance companies	26 (27)	– (–)	26 (27)
Reinsurance captives	35 (35)	– (–)	35 (35)
<b>Total number of insurance companies under supervision</b>	<b>161 (161)</b>	<b>46 (49)</b>	<b>207 (210)</b>

Not included in the above table are general health insurance companies, of which there were 16 on 31 December 2012. They are supervised primarily by the Swiss Federal Office of Public Health (FOPH), but are also subject to FINMA supervision for their ICA (Insurance Contract Act) business (supplementary health insurance). Moreover, eight insurance groups (also not included in the above table) are subject to group supervision by FINMA. These are:

- Bâloise Holding AG
- Helvetia Holding AG
- Nationale Suisse
- Schweizerische Mobiliar Holding AG
- Swiss Life Holding
- Swiss Re AG
- Vaudoise Versicherungen Holding AG
- Zurich Insurance Group AG

<sup>1</sup> The number of supervised institutions as of 31.12.2012 mentioned in this report was raised retrospectively as of the end of May 2013. The number may thus differ slightly from the numbers published in the FINMA Annual Report 2012 which are based on the data available in January 2013.

Overview for 2012 of the changes in the number of insurance companies supervised:

Type of insurance company	No. of insurers on 01.01.2012	Δ	Newly authorised	Released from supervision	No. of insurers on 31.12.2012
<i>Switzerland</i>					
Life	20	-1		SEV Versicherungen a)	19
Health insurers	21				21
Non-life	58	+2	GVB Privatversicherung 3.7.2012 Dextra Rechtsschutz 21.12.2012		60
Re	27	-1		ROS Reinsurance 31.10.2012	26
Captives	35	0	Omnium Re 1.11.2012 Clariant Re 13.11.2012	Vebege Re 19.10.2012 Poncap Re 21.12.2012	35
<i>Life - subsidiaries</i>					
<i>European Union</i>					
UK	1				1
French	2				2
Luxembourg	1				1
<i>Health insurers - subsidiaries</i>					
<i>European Union</i>					
Belgium	1				1
UK	1	-1		North of England 1.5.2012	-
<i>European Economic Area</i>					
Norway	1	-1		Assuranceforeningen Gard 1.5.2012	-
<i>Commonwealth and overseas</i>					
Bermudas	1	-1		U.K. Mutual Steamship 1.5.2012	-
<i>Non-life - subsidiaries</i>					
<i>European Union</i>					
Belgium	1				1
UK	15				15
Germany	7				7
France	6				6
Irish	3				3
Luxembourg	1				1
Malta	-	+1	International Diving Assurance 10.10.2012		1
The Netherlands	1				1
Austria	1				1
Sweden	2				2
<i>Commonwealth and overseas</i>					
Guernsey	2	-1		Polygon 20.4.2012	1
Gibraltar	1				1
USA	1				1
<b>Total no. of insurance companies</b>	<b>210</b>	<b>-3</b>			<b>207</b>
<b>General health insurance companies</b>	<b>17</b>	<b>-1</b>		Agrisano 27.11.2012	<b>16</b>
<b>Total no. of companies</b>	<b>227</b>	<b>-4</b>			<b>223</b>

a) SEV Versicherungen Genossenschaft (formerly the insurance fund of the Swiss Railway Workers' Association) was released from supervision on 1 November 2012. Its portfolio of insured persons was transferred to Helvetia Life.

## 1.2 Overview of balance sheets and income statements for the market as a whole

The figures in the following tables are for all insurance companies which are not part of a group operating in life insurance, non-life insurance and reinsurance. As they have been prepared on a statutory basis, changes in the values of assets and liabilities generally do not correspond to market value adjustments. Most asset classes are shown at historic cost, e.g. equities are shown at their lowest historical values based on the lower of cost or market principle. Bonds are shown at amortised cost which means the carrying values are not sensitive to interest rates. On the liabilities side, technical provisions for life insurance companies are discounted with technical interest rates and not with the prevailing market yield curve. Technical provisions for non-life insurance companies are as a rule undiscounted; specific exclusion is made here of accident insurance (UVG).

The aggregated information on the balance sheets and income statements, the Swiss Solvency Test (SST) and Solvency I only contains the values for insurance companies which are not part of a group and are subject to FINMA supervision as institutions. The data on tied assets and premiums also include the figures for the Swiss branches of foreign insurance companies and general health insurers (supplementary health insurance). Both of these categories are subject to FINMA supervision.

<b>Market as a whole</b>	<b>2011</b>	<b>2012</b>
<i>Figures in CHF 1000's</i>		
<b>Balance sheet total</b>	<b>579,759,695</b>	<b>595,443,478</b>
<b>Assets</b>		
<b>Investments<sup>1</sup></b>		
Real estate, buildings under construction and building land	8%	8%
Participations	13%	12%
Fixed-income securities	51%	52%
Loans and debt register claims	4%	4%
Mortgages	6%	6%
Equities and similar investments	2%	2%
Collective investments	6%	6%
Alternative investments	2%	2%
Net derivatives position <sup>2</sup>	-1%	0%
Time deposits and other money markets investments	2%	1%
Policy loans	0%	0%
Other investments	2%	2%
Liquid assets	5%	5%
<b>Total investments for own account</b>	<b>477,177,910</b>	<b>499,792,564</b>
Investments from unit-linked life insurance	15,317,074	16,372,530
<b>Total investments</b>	<b>492,494,984</b>	<b>516,165,094</b>
Receivables from insurance activities	39,515,364	42,744,175
Receivables from investment activities	1,257,676	1,068,676
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	28,479,410	20,843,254
Accruals	10,288,477	9761142
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>74,051,638</b>	<b>72,879,190</b>
<b>Hybrid capital</b>	<b>17,096,565</b>	<b>19,780,979</b>
<b>Financial debt</b>	<b>15,780,943</b>	<b>19,216,440</b>
<b>Insurance technical liabilities</b>	<b>408,471,127</b>	<b>424,181,727</b>
Liabilities from insurance activities	19,226,398	20,684,890
Liabilities from investment activities <sup>3</sup>	1,826,869	1,540,713
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	27,536,034	23,838,026
Accruals	8,046,337	8,460,376

<sup>1</sup> Percentages are based on total investments for own account.

<sup>2</sup> Including credits and liabilities from derivative financial instruments.

<sup>3</sup> Excluding liabilities from derivative financial instruments.

<b>Market as a whole</b>	<b>2011</b>	<b>2012</b>
<i>Figures in CHF 1000's</i>		
<b>Annual profit</b>	<b>7,504,604</b>	<b>10,966,353</b>
<b>Premiums <sup>4</sup></b>		
<b>Gross premiums booked</b>	<b>107,633,905</b>	<b>118,176,569</b>
<i>Reinsurers' portion</i>	<i>12,156,778</i>	<i>14,085,017</i>
<b>Net return from investments</b>		
Direct earnings from investments	19,747,455	19,966,191
Realised gains/losses	8,357,969	2,909,898
Write-ups/write-downs on investments	-12,009,922	-2,441,029
Expenses for the administration of investments	1,127,462	1,090,636
<b>Total gains/losses from investments</b>	<b>14,968,040</b>	<b>19,344,423</b>
<b>Return on investments <sup>5</sup></b>	<b>3.16%</b>	<b>3.96%</b>
<b>SST <sup>6</sup></b>		
Target capital	81,119,147	89,626,895
Risk-bearing capital	137,904,770	170,407,603
<b>Solvency ratio</b>	<b>170%</b>	<b>190%</b>
<b>Solvency I</b>		
Total required solvency margin	25,138,419	26,429,676
Total available solvency margin	85,385,260	90,381,852
<b>Solvency ratio</b>	<b>340%</b>	<b>342%</b>
<b>Tied assets <sup>4</sup></b>		
Total required value	292,895,761	304,560,266
Total cover values	318,030,033	331,940,369
<b>Coverage ratio</b>	<b>109%</b>	<b>109%</b>

<sup>4</sup> Including foreign branches in Switzerland and health insurance funds.

<sup>5</sup> Based on average investments held for own account.

<sup>6</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.  
Taking account of the temporary adjustments (FINMA Circular 13/2).

## 1.3 Investments

### 1.3.1 Total assets invested

The capital allocation shown in the tables represents the total investments of insurance companies subject to FINMA supervision as institutions. Holdings in foreign subsidiaries are included in the parent company's structures. The investments of Swiss branches of foreign insurance companies and of general health insurers (supplementary health insurance) are not included.

On a statutory basis, total investments by life insurance companies on own account increased by 4.7% compared to the previous year. In the case of non-life insurance companies, growth amounted to 1.4%. Compared to the previous year, capital allocation in the life insurance and non-life insurance sectors was steady in 2012. Despite the low-interest environment, fixed-interest securities are the most important asset class (60% of all investments on own account in life insurance and 40% in non-life insurance). Exposure in equities and alternative investments was virtually unchanged against the previous year and remains at a very low level. The share of real estate and mortgages in insurers' portfolios also remained unchanged (21% of total investments on own account in life insurance and 8% in non-life insurance). Investments by reinsurers grew by 10.5% in 2012. Reinsurance companies increased their allocation to fixed-income securities by seven percentage points year-on-year to 44%. This contrasts with a reduction of eight percentage points in the allocation to participations. This fell to 24% because Swiss Reinsurance Company Ltd transferred two of its group companies to its parent Swiss Re Ltd by way of a non-cash dividend.

	31.12.2011	31.12.2012
Return on investments for the whole market	3.16%	3.96%
Return on investments for life	3.46%	3.62%
Return on investments for non-life	4.81%	4.16%
Return on investments for reinsurance	-0.59%	4.79%

In 2012, the return on average allocated capital that life insurers achieved on own account was 3.62%, compared to 3.46% in the previous year. Compared to the previous year, non-life insurers reported a return on investments that is 65 basis points lower (4.16%). The reinsurers posted a return on investments of 4.79% in 2012, compared to a loss of 0.59% in 2011.

The direct return on investments by life insurers remained steady compared to the previous year. In 2012, non-life insurers showed a negative direct return on investments, especially on participations. Investment performance had a negative effect on realised returns, which came in significantly lower for both life and non-life insurers compared to the previous year. The increased return on investments of life insurance companies compared to the previous year can be attributed to higher unrealised gains from fixed-interest investments and participations as well as to lower unrealised losses in all asset classes, in particular to significantly lower unrealised losses from fixed-interest investments. Compared to the previous year, the effect among non-life insurers is not as strong as among life



insurers, resulting in a slight overall drop in return on investments. The significant increase in the reinsurers' return on investments is attributable primarily to reduced book losses and higher direct income from participations.

### 1.3.2 Investments in tied assets

Capital allocation in tied assets on 31 December 2011 and 31 December 2012 was as follows:

	Life 31.12.2011	Life 31.12.2012	Non-life 31.12.2011	Non-life 31.12.2012
Real estate, buildings under construction and building land	14%	14%	11%	11%
Participations	1%	1%	0%	0%
Fixed-income securities	62%	62%	59%	57%
Loans and debt register claims	3%	3%	2%	2%
Mortgages	9%	9%	6%	6%
Equities and similar investments	1%	1%	5%	5%
Collective investments	1%	2%	6%	8%
Alternative investments	3%	2%	2%	2%
Net derivatives position	0%	0%	0%	0%
Time deposits and other money market investments	1%	1%	1%	1%
Receivables from reinsurance companies	0%	0%	2%	2%
Other investments	1%	1%	1%	1%
Liquid assets	4%	4%	5%	5%
<b>Total investments for own account</b>	<b>240,444,780</b>	<b>251,850,914</b>	<b>62,975,288</b>	<b>64,517,956</b>

At the end of 2012, the total tied assets of Swiss insurance companies amounted to CHF 316 billion, of which CHF 15.6 billion related to unit-linked life insurance investments.

At the end of 2012, 89% (unchanged from 2011) of the investments of life insurers aggregated across all insurance companies (85% of net assets; previous year: 84%) were invested in tied assets; in the case of non-life insurance companies it was 49% (2011: 48%) of investments (42% of net assets; in the previous year: 41%). On 31 December 2012, the share of tied assets invested in the three strongest asset classes (i.e. bonds, real estate and mortgages) remained unchanged at 85% for life insurers and 74% for non-life insurers (previous year: 76%).

## 2 Life insurance companies

Life insurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Balance sheet total</b>	<b>299,151,321</b>	<b>311,236,899</b>
<b>Assets</b>		
<b>Investments<sup>1</sup></b>		
Real estate, buildings under construction and building land	12%	12%
Participations	2%	2%
Fixed-income securities	61%	60%
Loans and debt register claims	4%	4%
Mortgages	9%	9%
Equities and similar investments	1%	1%
Collective investments	4%	4%
Alternative investments	2%	2%
Net derivatives position <sup>2</sup>	0%	0%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	0%	1%
Liquid assets	4%	4%
<b>Total investments for own account</b>	<b>270,465,055</b>	<b>283,277,631</b>
Investments from unit-linked life insurance	15,317,074	16,372,530
<b>Total investments</b>	<b>285,782,129</b>	<b>299,650,161</b>
Receivables from insurance activities	1,516,851	1,724,818
Receivables from investment activities	331,619	310,466
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	2,416,896	1,992,175
Accruals	6,468,821	6,093,491
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>13,052,423</b>	<b>13,996,673</b>
<b>Hybrid capital</b>	<b>5,073,005</b>	<b>5,817,797</b>
<b>Financial debt</b>	<b>593,324</b>	<b>801,362</b>
<b>Insurance technical liabilities</b>	<b>259,927,509</b>	<b>270,880,481</b>
Liabilities from insurance activities	6,376,589	6,697,287
Liabilities from investment activities <sup>3</sup>	844,035	737,513
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	8,055,796	8,140,853
Accruals	2,593,634	2,699,145

<sup>1</sup> Percentages are based on total investments for own account.

<sup>2</sup> Including credits and liabilities from derivative financial instruments.

<sup>3</sup> Excluding liabilities from derivative financial instruments.

Life insurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Annual profit</b>	<b>2,396,437</b>	<b>993,139</b>
<b>Premiums <sup>4</sup></b>		
<b>Booked gross premiums</b>	<b>32,759,684</b>	<b>33,483,601</b>
<i>Reinsurers' part</i>	253,279	257,935
<b>Net return from investments</b>		
Direct earnings from investments	9,319,446	9,288,686
Realised gains/losses	4,876,206	1,275,101
Write-ups/write-downs on investments	-4,345,173	68,838
Expenses for the administration of investments	619,663	597,809
<b>Total gains/losses from investments</b>	<b>9,230,817</b>	<b>10,034,817</b>
<b>Return on investments <sup>5</sup></b>	<b>3.46%</b>	<b>3.62%</b>
<b>SST <sup>6</sup></b>		
Target capital	25,866,016	28,815,140
Risk-bearing capital	27,032,117	41,946,074
<b>Solvency ratio</b>	<b>105%</b>	<b>146%</b>
<b>Solvency I</b>		
Total required solvency margin	10,774,548	11,209,737
Total available solvency margin	30,053,484	31,546,141
<b>Solvency ratio</b>	<b>279%</b>	<b>281%</b>
<b>Tied assets <sup>4</sup></b>		
Total required value	243,241,372	254,574,804
Total cover values	255,054,745	267,422,413
<b>Coverage ratio</b>	<b>105%</b>	<b>105%</b>

<sup>4</sup> Including foreign branches in Switzerland.

<sup>5</sup> Based on average investments held for own account.

<sup>6</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.

Taking account of the temporary adjustments (FINMA Circular 13/2).

<sup>7</sup> Available solvency margin includes eligible hidden reserves of CHF 7,761,340 (2011) and 9,658,442 (2012) and hybrid capital of 2,866,563 (2011) and 2,946,688 (2012).

The current economic situation poses enormous problems for life insurers. In general, their products come with very long maturities and offer guarantees, not to mention interest rate guarantees. On the other hand, secure investment opportunities were hard to find in 2012, as in previous years. For example, the yield on ten-year Confederation bonds continued to decline, falling to 0.6% in 2012, a trend that also had an effect on the SST ratios. By 1 January 2012, the average SST ratio of life insurers had dropped to 105%. By 1 January 2013, life insurers had raised it to 146% because market conditions had improved and they were benefiting from the temporary adjustments (FINMA Circular 2013/2).

The assets that life insurer use to cover liabilities arising from life insurance contracts must be secured in the form of tied assets, whereby the target amount of these liabilities, plus a 1% safety margin, must be fully covered at all times. Obligations from insurance contracts take precedence over claims by third parties. Furthermore, in the case of investments in tied assets there are strict rules with respect to permitted asset classes as well as risk diversification and risk management. The cover ratio indicates that cover for the target amount at the end of 2012 was on average 5% above the statutory level.

## 2.1 Premium trends

<b>Gross premiums booked</b> <i>Figures in CHF 1000's</i>	<b>2011</b>	<b>2012</b>	<b>Per-centage share 2012</b>	<b>Change in % since previous year</b>
Group life occupational pension schemes	22,031,937	22,537,874	67.3%	2.3%
Classical individual capital insurance	4,465,324	4,393,368	13.1%	-1.6%
Classical individual annuity insurance	734,164	673,663	2.0%	-8.2%
Unit-linked life insurance	1,718,223	1,643,134	4.9%	-4.4%
Life insurance linked to internal investment positions	703,513	985,811	2.9%	40.1%
Capitalisation and tontines	463,529	442,993	1.3%	-4.4%
Other life insurance segments	445,150	448,949	1.3%	0.9%
Individual life insurance not proratable on the branches	0	-	-	-
Health and casualty insurance	7,254	6,578	0.0%	-9.3%
Foreign branches	2,031,158	2,002,087	6.0%	-1.4%
Reinsurance accepted	159,430	349,143	1.0%	119.0%
<b>Total</b>	<b>32,759,684</b>	<b>33,483,601</b>	<b>100.0%</b>	<b>2.2%</b>

On the whole, life insurers achieved CHF 724 million in growth on their premium income (previous year: CHF 109 million) or 2.2%. This increase was generated by group insurance contracts in the occupational pensions sector (increase of CHF 506 million) and by internal investments in the tied life insurance sector (increase of CHF 282 million). Premium volume in classical individual life insurance, unit-linked life insurance and capital redemption operations posted declines, but at a lower rate than in the previous year.

Premium volume in group contracts of occupational pensions as a share of total business volume (2012 and 2011: 67.3%; 2010: 63.5%; 2009: 61.4%) remains at a historically high level. This underscores the major significance of Pillar 2, not only for Swiss life insurers but also for small and medium-sized enterprises (SMEs) which generate demand for risk-resistant models of insurance at full value in the occupational pensions sector. Life insurers thus operate in a strongly regulated and

politically sensitive area of social insurance. Based on its statutory mandate, FINMA's activities are intended to guarantee protection of these assets.

Life insurance sales in private Pillar 3a and 3b pensions declined sharply in 2012 – the result of a fall of almost 100 basis points in interest rates in 2011, a level that has remained unchanged ever since. Although life insurers are attempting to counter this development by launching innovative savings products, they are unable to buck the trend because protection of the assets they hold continues to be the focus.

## 2.2 Market shares in direct Swiss business

Insurer	2011		2012	
	Market share	Cumulative market share	Market share	Cumulative market share
AXA Leben	28.4%	28.4%	28.9%	28.9%
Swiss Life	25.3%	53.7%	25.2%	54.1%
Helvetia Leben	10.8%	64.5%	10.2%	64.3%
Basler Leben	9.1%	73.6%	8.3%	72.6%
Allianz Suisse Leben	7.0%	80.6%	7.4%	80.0%
Zürich Leben	6.1%	86.7%	6.7%	86.6%

In the direct Swiss market, the six main insurers posted a range of growth data. Three of them were able to grow their market share by approximately half a percentage point each, one was just able to maintain its share, and two others lost about half a point each, with the result that the gains and losses more or less cancelled each other out. The remaining 16 smaller life insurers make up the remaining share of 13% (2011: 13%; 2010: 17%).

## 2.3 Actuarial reserves

<b>Gross actuarial reserves</b> <i>Figures in CHF 1000's</i>	<b>2011</b>	<b>2012</b>	<b>Share in 2012</b>	<b>Change in % since previous year</b>
Group life occupational pension schemes	125,136,778	132,534,790	54.1%	5.9%
Classical individual capital insurance	51,244,124	50,730,470	20.7%	-1.0%
Classical individual annuity insurance	19,603,482	19,096,662	7.8%	-2.6%
Unit-linked life insurance	13,498,099	14,290,141	5.8%	5.9%
Life insurance linked to internal investment positions	3,853,873	4,652,588	1.9%	20.7%
Capitalisation and tontines	1,063,039	1,518,586	0.6%	42.9%
Other insurance segments	4,055,940	3,875,948	1.6%	-4.4%
Foreign branches	17,560,220	18,113,164	7.4%	3.1%
Reinsurance accepted	314,877	324,481	0.1%	3.1%
<b>Total</b>	<b>236,330,431</b>	<b>245,136,829</b>	<b>100.0%</b>	<b>3.7%</b>

Actuarial reserves reflect the value of insurance obligations per insured person and are calculated on the basis of conservative assumptions. They must be recognized as the main component of technical provisions in the balance sheet and when forming tied assets (2012: CHF 270.9 billion; 2011: CHF 260 billion).

For 2012, in difficult market conditions, the full amount of actuarial reserves from all insurance sectors rose by 3.7% (previous year: 1.4%).

On the other hand, the fall of approximately CHF 1.0 billion (2011: 1.4 billion) in actuarial reserves in classical life individual life insurance (primarily lump sum, pension and disability insurance) can be attributed to maturities in the older portfolios. The acquisition of new funds and the resulting growth in actuarial reserves thus remain very modest in this sector for as long as the interest rates remain at their current low levels. On the other hand, the actuarial reserves of current classical individual life insurance contracts required considerable additional funding (cf. Section 2.4).

As stock markets started to pick up again in 2012, the actuarial reserves for current unit-linked life insurance contracts also rose, resulting in growth on the basis of new contracts (5.9% for unit-linked life insurance, and 20.7% for contracts tied to internal investments). In fact, capital redemption operations posted an increase of more than 40%. This is primarily because wealthy private clients were asking for insurance solutions as a means of protecting their assets.

Of the actuarial reserves in branch offices abroad, almost 90% are held by Swiss Life in Germany. A business that ten years ago used to be a significant sector for Swiss life insurers involving branch offices outside Switzerland has now largely been transferred to legally independent subsidiaries.

## 2.4 Underwriting result

Life insurance, income statement for 2011 <i>(including Swiss branches of foreign insurance companies)</i>	All business	Swiss business				Foreign business	
			Occupa- tional pensions	Other Swiss business	Classical individual life insurance	Unit- linked life insurance	
	A	B	C	D	E	F	G
<i>Figures in CHF 1000's</i>	<b>A = B + G</b>	<b>B = C + D</b>	<b>D = E + F</b>				
Underwriting income	33,251,536	31,309,413	22,427,427	8,881,987	6,245,240	2,636,747	1,942,122
Payments for insurance claims	-27,380,582	-25,872,976	-16,604,024	-9,268,952	-7,584,971	-1,683,981	-1,507,606
Change in technical provisions (- = increase)	-12,210,048	-11,331,965	-8,779,851	-2,551,965	-934,453	-1,617,512	-878,083
Gains/losses from investments	11,556,421	10,535,796	5,192,200	5,343,596	3,914,174	1,492,423	1,020,624
Other income and costs for insurance activities	24,174	36,205	52,960	-16,755			-12,301
Costs for surplus participation	-1,307,648	-1,026,624	-810,764	-216,009			-281,024
Costs for under-writing and taxes	-2,891,935	-2,580,962	-795,708	-1,785,253			-310,973
Costs for financing activities	-295,043	-289,161	-23,321	-265,841			-5,882
Other income and expenses	246,040	241,317	30,939	210,378			4,723
<b>Annual result</b>	<b>992,913</b>	<b>1,021,043</b>	<b>689,858</b>	<b>331,186</b>			<b>-28,130</b>
in %	100%	102.8%	69.5%	33.3%			-2.8%

In 2012, life insurers achieved a good but clearly weaker result on a statutory basis. While this led to a slightly higher result in occupational pensions, life insurers posted a decline in Pillars 3a and 3b private pensions and in the other life insurance sectors. On the one hand, the unique effect from life insurers divesting their holdings now no longer applies; on the other, the decline in business volumes over previous years affected the result.

After a rise in 2011, payments for insurance claims in 2012 fell back to 2010 levels (by 6.3% to CHF 27.4 billion). Actuarial profits came in slightly higher (by 2.2% to CHF 33.3 billion), mostly from premium income. Unit-linked life insurance contracts posted the strongest growth rate (8.8%), while the largest growth in absolute terms (CHF 514 million) was seen in the group insurance sector of occupational pensions. Low interest rates led to very modest growth in the classical life insurance sector, with lump sum insurance and annuity insurance as the most significant categories. In the case of lump sum insurance, the insurer guarantees the lump sum plus the interest due on death or when the policy matures at a contractually agreed rate. In the case of annuity insurance, the insurer guarantees the contractually agreed pension until the person's death.

Technical provisions have increased significantly (CHF 12.2 billion) compared to 2011. As in previous years, group insurance in the occupational pensions sector generated most of the growth (CHF 8.8 billion), which can be attributed to the strong growth in the sector since 2008. The other three areas of the life insurance business also grew, particularly classical individual life insurance (CHF 0.9 billion) and unit-linked life insurance (CHF 1.6 billion), which had experienced a decline in the previous year because of contracts that had matured or been transferred. It must also be pointed out that the branch offices of Swiss life insurers outside Switzerland reported growth (CHF 0.9 billion). The increase in technical provisions in the classical individual life insurance sector originates in the additional actuarial reserves required for current contracts – because long-term interest rate guarantees had to be met in an environment of declining interest rates. If this additional funding is excluded, actuarial reserves in classical individual life insurance actually fell (cf. Section 2.3).

Investment results in 2012 came in higher than in 2011, at CHF 11.6 billion, corresponding to a book yield on investments (held at own risk) of 3.62% (2011: 3.46%). The book yield provides the basis for calculating the surplus participation. Surplus participation can be expected only on policies for which the guaranteed technical interest is less than the book yield.

Market yield amounted to 5.94% (2011: 6.03%). The difference between the market yield and the book yield consists primarily of the change in hidden reserves. Hidden reserves are used to secure long-term obligations arising from life insurance contracts and the associated interest guarantees. Hidden reserves are held for the greater part in fixed-interest securities and real estate investments.



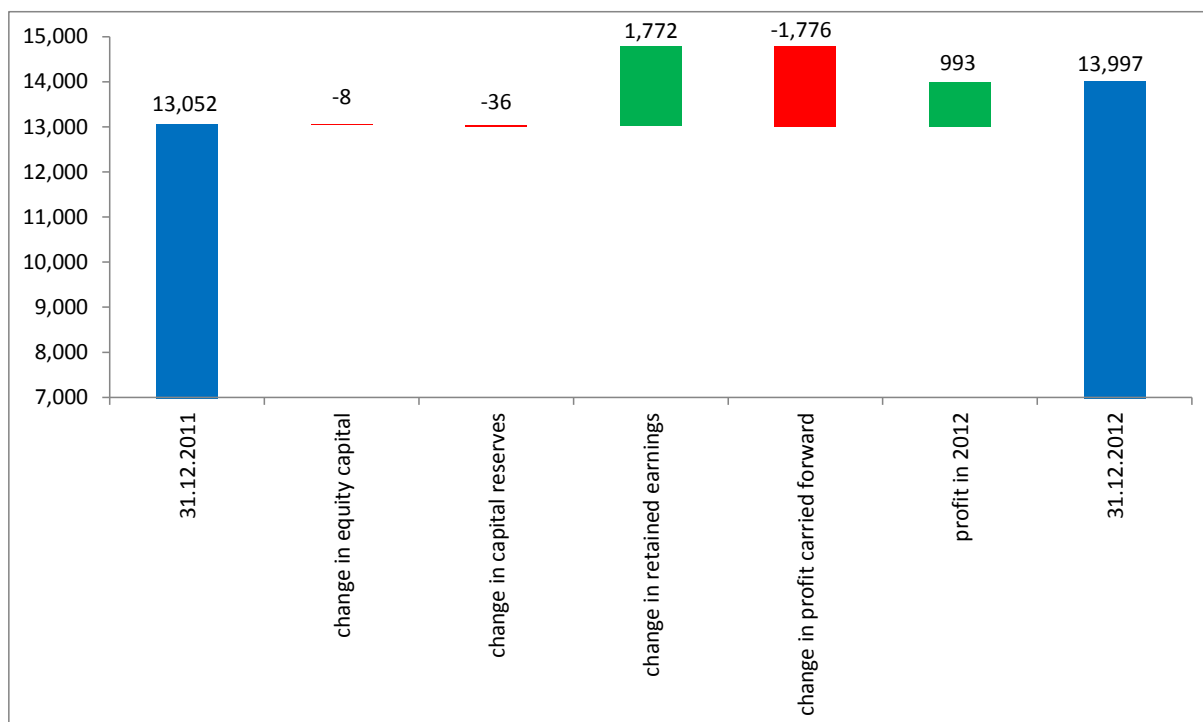
Flow statistics for accumulated surplus funds of life insurers are as follows (in CHF billions):

<b>At the beginning of 2008</b>	<b>5.00</b>
Surplus participation to insured parties	-1.50
Allocation to surplus fund from the income statement	+0.60
Cover for operating deficit	-0.10
Equalisation of currency differences	-0.20
<b>At the end of 2008</b>	<b>3.80</b>
Surplus participation to insured parties	-1.06
Allocation to surplus fund from the income statement	+1.39
Equalisation of currency differences	-0.02
<b>At the end of 2009</b>	<b>4.11</b>
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.35
Equalisation of currency differences	-0.19
<b>At the end of 2010</b>	<b>3.88</b>
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.50
Equalisation of currency differences	-0.03
<b>At the end of 2011</b>	<b>3.96</b>
Surplus participation to insured parties	-1.30
Allocation to surplus fund from the income statement	+1.17
Equalisation of currency differences	-
<b>At the end of 2012</b>	<b>3.83</b>

The trend in accumulated surplus funds since 2008 indicates clearly the balancing function of the surplus fund as an actuarial position in the balance sheet. Amounts allocated to policyholders in 2008, the year of the financial crisis, exceeded the amounts allocated from the income statement. In 2009, the situation was reversed as the markets began to recover. The following years saw a somewhat balanced situation. Because of the decline in market interest rates in 2012, the allocation from the income statement was lower than in the previous year.

## 2.5 Changes in equity capital

Changes in equity capital in 2012 in CHF million



The 2012 financial year continued to be marked by historically low interest rates. After the interest rate for ten-year Confederation bonds fell by 230 basis points between 2008 and 2011 (from 3.04% at the beginning of 2008 to 0.74% at the beginning of 2012), the rate remained stagnant at 0.6% and eventually fell by a further 14 basis points by the end of 2012. Only towards the middle of 2013 did it begin to rise again (by 24 basis points to 0.84% on 7 June 2013).

Thanks to a good annual result in 2012 (accumulated total: CHF 993 million), life insurers were able to shore up their equity base (by a total of CHF 945 million, from CHF 13.1 billion to CHF 14 billion) and thus offset the negative effect of the low interest rate environment. However, the subsequent restructuring into lower interest rate investments, starting 2012, had a dampening effect on annual results.

Annual results in CHF (including foreign branch offices in Switzerland):

2008	410,481,451
2009	1,226,913,301
2010	1,237,725,781
2011	1,473,740,278 *
2012	992,913,300

\* Adjusted for the unique effects of divestments.

### **3 Non-life insurance companies**

The section on non-life insurance companies, including the figures set out below, applies to both non-life insurers and supplementary health insurers under the Insurance Contract Act (ICA).

<b>Non-life insurers</b>	<b>2011</b>	<b>2012</b>
<i>Figures in CHF 1000's</i>		
<b>Balance sheet total</b>	<b>148,198,334</b>	<b>148,580,700</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	5%	5%
Participations	25%	24%
Fixed-income securities	41%	40%
Loans and debt register claims	4%	5%
Mortgages	3%	3%
Equities and similar investments	3%	3%
Collective investments	4%	5%
Alternative investments	2%	2%
Net derivatives position <sup>1</sup>	0%	0%
Time deposits and other money markets investments	3%	2%
Policy loans	0%	0%
Other investments	6%	6%
Liquid assets	4%	5%
<b>Total investments</b>	<b>130,363,429</b>	<b>132,151,169</b>
Receivables from insurance activities	5,788,099	5,624,749
Receivables from investment activities	769,190	597,455
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	8,387,911	7,723,116
Accruals	1,704,588	1,634,116
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>32,925,262</b>	<b>32,486,971</b>
<b>Hybrid capital</b>	<b>7,138,066</b>	<b>7,589,965</b>
<b>Financial debt</b>	<b>11,510,105</b>	<b>11,728,995</b>
<b>Insurance technical liabilities</b>	<b>78,210,811</b>	<b>79,182,552</b>
Liabilities from insurance activities	3,710,125	2,942,318
Liabilities from investment activities <sup>2</sup>	553,607	399,696
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	8,005,617	8,422,238
Accruals	4,959,625	4,977,870

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Excluding liabilities from derivative financial instruments.

<b>Non-life insurers</b>	<b>2011</b>	<b>2012</b>
<i>Figures in CHF 1000's</i>		
<b>Annual profit</b>	<b>5,319,523</b>	<b>5,252,000</b>
<b>Premiums <sup>3</sup></b>		
<b>Booked gross premiums</b>	<b>46,709,943</b>	<b>49,876,075</b>
<i>Reinsurers' portion</i>	<i>5,429,227</i>	<i>6,235,680</i>
<b>Net return from investments</b>		
Direct earnings from investments	6,258,915	5,037,949
Realised gains/losses	2,060,757	457,065
Write-ups/write-downs on investments	-1,932,896	161,551
Expenses for the administration of investments	194,858	195,603
<b>Total gains/losses from investments</b>	<b>6,191,919</b>	<b>5,460,962</b>
<b>Return on investments <sup>4</sup></b>	<b>4.81%</b>	<b>4.2%</b>
Loss ratio <sup>5</sup>	63.9%	60.5%
Expense ratio <sup>5</sup>	25.8%	25.3%
Combined ratio <sup>5</sup>	89.7%	85.8%
<b>SST <sup>6</sup></b>		
Target capital	34,180,690	36,569,577
Risk-bearing capital	64,426,903	75,599,936
<b>Solvency ratio</b>	<b>188%</b>	<b>207%</b>
<b>Solvency I</b>		
Total required solvency margin	8,147,132	8,187,622
Total available solvency margin	33,178,945	34,403,923
<b>Solvency ratio</b>	<b>407%</b>	<b>420%</b>
<b>Tied assets <sup>3</sup></b>		
Total required value	49,654,389	49,985,461
Total cover values	62,975,288	64,517,956
<b>Coverage ratio</b>	<b>127%</b>	<b>129%</b>

<sup>3</sup> Including foreign branches in Switzerland and health insurance funds.

<sup>4</sup> Based on average investments held for own account.

<sup>5</sup> Excluding health insurers.

<sup>6</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.

Taking account of the temporary adjustments (FINMA Circular 13/2). The general health insurers SWICA and Concordia are also included.

The equity capital of Swiss non-life insurance companies (before appropriation of profits) fell by 1.3% in 2012. Despite this decline, net assets actually rose. This can be attributed in particular to an

increase in technical reserves (1.2%). The positive effect from the technical account (the combined ratio improved from 89.7% to 85.8%) was cancelled out by lower earnings and a significant fall in realized net profits from investments. Aggregated annual profits thus came in 1.3% lower. The 6.8% increase in booked gross premiums is primarily due to reinsurance business assumed.

### 3.1 Premium trends in Swiss business

Gross premiums booked in Swiss direct business (in CHF 1,000), excluding reinsurance business assumed:

Direct business <i>Figures in CHF 1000's</i>	Gross premiums booked		Percentage share 2012	Change in % since previous year
	2011	2012		
Health	9,239,019	9,463,127	36.5%	2.4%
Fire/property	3,990,045	4,135,996	16.0%	3.7%
Accident	2,964,433	2,985,034	11.5%	0.7%
Motor vehicle (comprehensive)	2,824,663	2,932,578	11.3%	3.8%
Motor vehicle (liability)	2,686,462	2,719,797	10.5%	1.2%
Liability	1,903,820	1,915,509	7.4%	0.6%
Marine, aviation, transport	427,434	446,630	1.7%	4.5%
Legal expenses	438,664	463,819	1.8%	5.7%
Financial losses	330,307	329,516	1.3%	-0.2%
Credit, surety	283,920	302,658	1.2%	6.6%
Tourist assistance	193,906	197,893	0.8%	2.1%
<b>Total direct insurance</b>	<b>25,282,674</b>	<b>25,892,558</b>	<b>100.0%</b>	<b>2.4%</b>

Premium growth in 2012 amounted to 2.4% (previous year: 1.4%). In supplementary health insurance, the increase can be explained primarily by minor premium adjustments. The strong increase in fire and property claims corresponds with continued robust construction activities, a stable economic environment and population growth in Switzerland. On the other hand, increases in the motor vehicle sectors, both comprehensive and liability, can be attributed to the rising number of vehicles in Switzerland and the high level of new vehicle registrations (up by 2.9%, the highest value since 1989). Among the less significant sectors in terms of volume (legal protection, credit, surety, tourist assistance), a growth trend based on positive economic data was also observed in 2012.

### 3.2 Market shares in direct Swiss business

Non-life insurers' market shares (excluding the health insurance business)

Insurer	Market share	Cumulative	Market share	Cumulative
	in %	market share in %	in %	market share in %
	2011	2011	2012	2012
AXA Versicherungen	19.0%	19.0%	18.8%	18.8%
Zürich Versicherungen	15.6%	34.6%	15.2%	34.0%
Schweizerische Mobiliar	13.5%	48.1%	13.7%	47.7%
Allianz Suisse	10.4%	58.5%	10.2%	57.9%
Basler	7.7%	66.2%	7.6%	65.5%
Generali Assurances	4.7%	70.9%	4.6%	70.1%
Helvetia	4.1%	75.0%	4.6%	74.7%
Vaudoise	4.1%	79.1%	4.2%	78.9%
Schweizerische National	3.9%	83.0%	4.1%	83.0%

The market shares of direct providers in Switzerland have remained unchanged from the previous year, with the exception of Helvetia which moved up from eighth to seventh place.

### 3.3 Annual result

Loss ratios for Swiss business

Direct business	Loss ratio	Loss ratio
	2011	2012
Health	76.4%	71.1%
Fire/property	53.2%	50.4%
Accident	65.2%	61.9%
Motor vehicle (liability)	72.3%	73.5%
Motor vehicle (comprehensive)	47.1%	37.6%
Liability	34.7%	38.5%
Marine, aviation, transport	34.0%	49.1%
Legal expenses	51.8%	49.7%
Financial losses	60.7%	64.2%
Credit, surety	6.8%	43.8%
Tourist assistance	73.3%	71.9%
<b>Total</b>	<b>62.6%</b>	<b>60.0%</b>

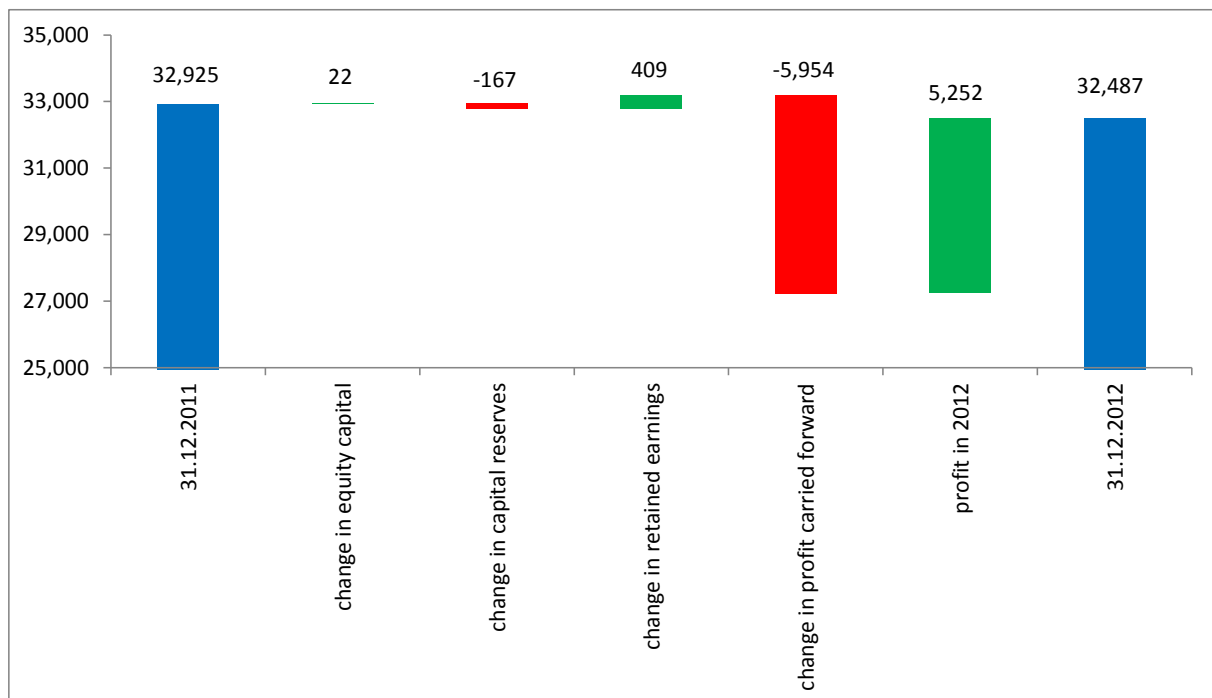
The claims ratio in the direct Swiss business continued to decline in 2012, as had been the case in the two previous years. The improvement in the "Health" sector is due primarily to benefit reductions in relation to supplementary hospital cover following the introduction of flat rates and changes to hospital financing. The "Fire, property damage" sector, on the other hand, has seen a sharp rise in payments

for insurance claims (up by 39%). Some of the major insurers overcompensated for this trend by liquidating loss reserves, with the result that the claims ratio fell by 2.8% compared with the previous year. Payments in the "accident" insurance sector increased slightly (plus 0.7%). The rate at which insurance companies as a whole built up their reserves was significantly lower compared to the previous year. Altogether, this resulted in a 3.3% reduction in the claims ratio. In the "Motor vehicle (liability)" sector, the significant drop in the claims ratio is due to a fall in the number of road traffic accidents (as a result of road safety measures and passive safety features in vehicles) and a more restrictive interpretation of case law, particularly in connection with whiplash injuries. In the "Liability" sector, a significantly smaller amount in claims reserves was formed compared to the previous year. Despite lower claims payments (down by 18%), this led to a 3.8% increase in the claims ratio. The 15.1% increase in the claims ratio in the "Marine, aviation, transport" sector can be attributed to major losses sustained by a handful of significant market players. In the "Credit, surety" sector, the claims ratio rose by 37%, which can be explained by a unique market that is cyclical in nature, strongly exposed to exchange rates and dependent on exports.



### 3.4 Changes in equity capital

Changes in equity capital in CHF million in 2012



### 3.5 Supplementary health insurers

The data on supplementary health insurers in the tables below are also provided for non-life insurers in the respective tables. Aggregate data of all companies supervised by FINMA as an institution that conduct ICA business and focus mainly on the “health” sector are included in the tables. The number of companies on 31 December 2012 totalled 21. To understand the market better, the values shown under premiums and tied assets also include health insurance funds in the supplementary health insurance sector. If the daily benefits insurance business of the other life and non-life insurers, which is not the core business of health insurance, is included in the gross premiums, the total for gross premiums for the health insurance business under FINMA supervision amounts to CHF 9.5 billion (previous year: CHF 9.2 billion).

Health insurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Balance sheet total</b>	<b>12,930,571</b>	<b>13,605,104</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	5%	5%
Participations	1%	1%
Fixed-income securities	44%	43%
Loans and debt register claims	0%	0%
Mortgages	0%	0%
Equities and similar investments	14%	14%
Collective investments	19%	21%
Alternative investments	3%	3%
Net derivatives position <sup>1</sup>	0%	0%
Time deposits and other money markets investments	1%	2%
Policy loans	0%	0%
Other investments	3%	2%
Liquid assets	10%	9%
<b>Total investments</b>	<b>11,128,592</b>	<b>12,331,762</b>
Receivables from insurance activities	962,658	566,131
Receivables from investment activities	8,673	13,566
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	500,509	519,117
Accruals	165,249	172,195
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>2,109,287</b>	<b>2,474,141</b>
<b>Hybrid capital</b>	<b>49,906</b>	<b>49,906</b>
<b>Financial debt</b>	<b>51,695</b>	<b>15,942</b>
<b>Insurance technical liabilities</b>	<b>7,754,692</b>	<b>8,537,642</b>
Liabilities from insurance activities	878,509	506,210
Liabilities from investment activities <sup>2</sup>	14	5
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	1,358,937	1,457,898
Accruals	562,642	561,027

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Liabilities from derivative financial instruments excluded.

Health insurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Annual profit</b>	<b>244,450</b>	<b>546,741</b>
<b>Premiums <sup>3</sup></b>		
Booked gross premiums	6,643,720	6,747,132
<i>Reinsurers' part</i>	51,462	41,466
<b>Premiums including VAG part of health funds <sup>3</sup></b>		
Booked gross premiums	8,532,777	8,714,949
<i>Reinsurers' part</i>	53,857	42,613
<b>Net return from investments</b>		
Direct earnings from investments	268,636	268,329
Realised gains/losses	-1,812	68,319
Write-ups/write-downs on investments	-151,129	143,188
Expenses for the administration of investments	32,030	33,745
<b>Total gains/losses from investments</b>	<b>83,665</b>	<b>446,092</b>
<b>Return on investments <sup>4</sup></b>	<b>0.81%</b>	<b>3.80%</b>
<b>SST <sup>5</sup></b>		
Target capital	2,295,906	2,355,053
Risk-bearing capital	6,583,188	8,318,056
<b>Solvency ratio</b>	<b>287%</b>	<b>353%</b>
<b>Solvency I</b>		
Total required solvency margin	1,126,885	1,140,243
Total available solvency margin	2,977,608	3,467,450
<b>Solvency ratio</b>	<b>264%</b>	<b>304%</b>
<b>Tied assets <sup>3</sup></b>		
Total required value	7,303,532	7,924,133
Total cover values	8,986,191	10,117,106
<b>Coverage ratio</b>	<b>123%</b>	<b>128%</b>
<b>Tied assets including VAG part of health funds <sup>3</sup></b>		
Total required value	8,445,328	9,111,048
Total cover values	10,433,913	11,573,812
<b>Coverage ratio</b>	<b>124%</b>	<b>127%</b>

<sup>3</sup> Including foreign branches in Switzerland.

<sup>4</sup> Based on average investments held for own account.

<sup>5</sup> Information provided by insurance companies. Corrections made by FINMA not included. Taking account of the temporary adjustments (FINMA Circular 13/2). The general health insurers SWICA and Concordia are also included.

Market shares in the health insurance business

Insurer	Market share in %	Cumulative market share in %	Market share in %	Cumulative market share in %
	2011	2011	2012	2012
Helsana Zusatzversicherungen	17.8%	17.8%	16.8%	16.8%
Swica Krankenversicherung	12.9%	30.7%	13.3%	30.1%
CSS	12.4%	43.1%	12.7%	42.8%
Visana	11.3%	54.4%	11.5%	54.3%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	9.0%	63.4%	9.4%	67.3%
Concordia	6.3%	69.7%	6.4%	70.1%
Sanitas	5.6%	75.3%	5.7%	75.8%
Sympany	3.7%	79.0%	3.3%	79.1%

## 4 Reinsurance companies

Reinsurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Balance sheet total</b>	<b>132,410,040</b>	<b>135,625,880</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	2%	1%
Participations	32%	24%
Fixed-income securities	37%	44%
Loans and debt register claims	1%	1%
Mortgages	1%	1%
Equities and similar investments	2%	1%
Collective investments	14%	13%
Alternative investments	3%	3%
Net derivatives position <sup>1</sup>	-4%	0%
Time deposits and other money markets investments	3%	3%
Policy loans	0%	0%
Other investments	3%	4%
Liquid assets	6%	5%
<b>Total investments</b>	<b>76,349,425</b>	<b>84,363,764</b>
Receivables from insurance activities	32,210,414	35,394,608
Receivables from investment activities	156,867	160,755
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	17,674,602	11,127,963
Accruals	2,115,067	2,033,534
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>28,073,952</b>	<b>26,395,546</b>
<b>Hybrid capital</b>	<b>4,885,494</b>	<b>6,373,217</b>
<b>Financial debt</b>	<b>3,677,514</b>	<b>6,686,083</b>
<b>Insurance technical liabilities</b>	<b>70,332,807</b>	<b>74,118,694</b>
Liabilities from insurance activities	9,139,684	11,045,285
Liabilities from investment activities <sup>2</sup>	429,227	403,504
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	11,474,620	7,274,935
Accruals	493,078	783,361

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Excluding liabilities from derivative financial instruments.

Reinsurers	2011	2012
<i>Figures in CHF 1000's</i>		
<b>Annual profit</b>	<b>-211,356</b>	<b>4,721,214</b>
<b>Premiums</b>		
<b>Booked gross premiums</b>	<b>28,164,279</b>	<b>34,816,893</b>
<i>Retroceded portion</i>	<i>6,474,272</i>	<i>7,591,402</i>
<b>Net return from investments</b>		
Direct earnings from investments	4,169,093	5,639,555
Realised gains/losses	1,421,006	1,177,732
Write-ups/write-downs on investments	-5,731,853	-2,671,419
Expenses for the administration of investments	312,942	297,224
<b>Total gains/losses from investments</b>	<b>-454,696</b>	<b>3,848,644</b>
<b>Return on investments <sup>3</sup></b>	<b>-0.59%</b>	<b>4.79%</b>
Netto-Combined Ratio, Nichtleben	100.6%	85.4%
Benefit Ratio, Leben	71.3%	83.6%
<b>SST <sup>4</sup></b>		
Target capital	21,072,442	24,242,178
Risk-bearing capital	46,445,750	52,861,593
<b>Solvency ratio</b>	<b>220%</b>	<b>218%</b>
<b>Solvency I</b>		
Total required solvency margin	6,216,739	7,032,317
Total available solvency margin	22,152,831	24,431,788
<b>Solvency ratio</b>	<b>356%</b>	<b>347%</b>

<sup>3</sup> Based on average capital held for own account.

<sup>4</sup> Information provided by insurance companies. Corrections made by FINMA not included.

Taking account of the temporary adjustments (FINMA Circular 13/2).

## 4.1 Premium trends

Premiums earned by combined lines of business according to region (in CHF thousands):

Premiums earned values in CHF1,000's	2011	2012	Percentage share 2012	Change in % since previous year
<b>Short-tail</b>	8,162,414	9,728,934	36.7	19.2
<b>Long-tail</b>	4,223,811	5,625,842	21.2	33.2
<b>Catastrophes</b>	2,524,379	2,711,947	10.2	7.4
<b>Total non-life</b>	14,910,603	18,066,723	68.1	21.2
<b>Life</b>	4,890,762	8,457,158	31.9	72.9
<b>Total net premiums</b>	<b>19,801,366</b>	<b>26,523,881</b>	<b>100.0</b>	<b>33.9</b>
<b>Asia / Pacific</b>	6,452,484	8,299,552	31.3	28.6
<b>Europe</b>	6,746,233	8,113,083	30.6	20.3
<b>North America</b>	5,642,535	9,022,473	34.0	59.9
<b>Rest of the world</b>	960,113	1,088,774	4.1	13.4
<b>Total net premiums</b>	<b>19,801,366</b>	<b>26,523,881</b>	<b>100.0</b>	<b>33.9</b>

Long-tail: liability lines and accident; short-tail: other non-life lines of business excluding catastrophes.

Premiums earned for own account rose strongly by 34%. Volumes increased in all the combined lines of business and geographical regions listed above. Growth was strongest at 73% in life reinsurance, in particular due to a reinsurer taking over an existing portfolio from its subsidiary. In non-life reinsurance, the increase amounted to 21%, with Asian markets and lines with longer settlement periods showing the strongest growth. Growth in natural disasters coverage was much slower than in the prior year (7% in 2012 against 32% in 2011).

## 4.2 Annual result

Loss ratios non-life (in percentage):

Combined line of business	2011	2012
Short-tail	72.8	62.3
Long-tail	59.9	68.5
Natural disasters	125.7	44.4
<b>Total</b>	<b>78.1</b>	<b>61.5</b>

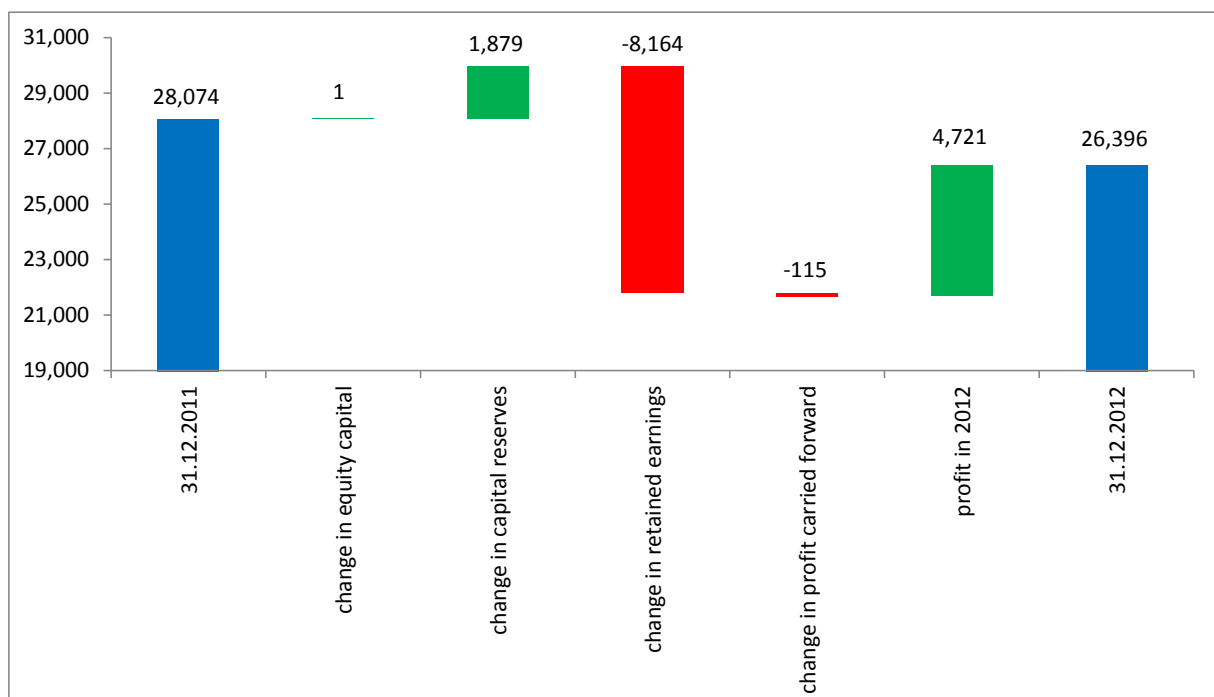
The loss ratio fell sharply from 78.1% to 61.5%, in particular due to a significant drop in the natural disasters business, where the loss ratio fell substantially from 125.7% to 44.4%. The extent of large-

scale insured losses was considerably smaller in 2012 than it had been in 2011, when an exceptionally large number of natural disasters occurred. Nevertheless, Hurricane Sandy, which hit the US in 2012, was the second most expensive hurricane in the country's history. Other large-scale loss events were also located mainly in the US, as a result of which many Swiss reinsurers were less affected by them. Loss ratios in many lines were positively influenced by run-off gains from previous years.

The annual result improved significantly from a loss of CHF 0.2 billion in 2011 to a profit of CHF 4.7 billion in 2012. This positive development can be attributed to the lower large-scale loss events and higher run-off gains mentioned above as well as much lower write-downs and higher investment income.

### 4.3 Changes in equity capital

Changes in equity capital in 2012 in CHF million



Despite the high profit of CHF 4.7 billion, equity capital fell from CHF 28.1 billion to CHF 26.4 billion in 2012.

Restructuring within the Swiss Re Group led to a drop in retained earnings. Swiss Reinsurance Company Ltd transferred its stake in Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd to its parent company Swiss Re Ltd by way of a non-cash dividend in April 2012. This dividend was valued at CHF 5.8 billion. In addition to this, ordinary and extraordinary dividends totalling CHF 2.4 billion were paid to Swiss Re Ltd.



Capital reserves increased by CHF 1.9 billion, largely due to the fact that Swiss Re Corporate Solutions Ltd was awarded a licence at the end of 2011.