

Press release

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FINMA opens consultation on the Circular “Pricing of occupational pension funds”

The Swiss Financial Market Supervisory Authority FINMA is revising and simplifying its supervisory practice in relation to occupational pension fund pricing. As a result, insurance companies will in particular be granted more freedom for pricing and the discount policy will be harmonised. Two circulars have been merged. The consultation will run until 13 July 2018.

FINMA is merging two circulars about the pricing of occupational pension funds, refining and streamlining the provisions at the same time. Some of the previous provisions were outdated, however FINMA delayed its review due to the rejection of the 2020 Pension Reform.

Supervisory practice to be simplified

The FINMA Circulars 2008/12 "Revolving door principle – occupational pension funds" and 2008/13 "Pricing risk insurance – occupational pension funds" have been merged into the new Circular “Pricing of occupational pension funds”. The new circular defines, inter alia, FINMA's supervisory practice in relation to the supplementary conversion rate and non-actuarially justified shares of premiums. It adopts a principle-based approach and has half as many margin numbers as the replaced circulars. It applies to all prices for in-force and new business with effect from 1 January 2020. FINMA will hold a consultation on the circular until 13 July 2018 as part of which it explicitly requests feedback on its proposed practice regarding actuarial justification for pricing.

Supervisory practice to be liberalised and standardised

According to the Swiss Federal Supervisory Ordinance, insurance rates must be based on actuarial or statistical principles as a rule to ensure they are not unfairly high (Art. 117 para. 2). The revised circular applies this principle analogously to other insurance lines. Price differences were previously restricted to a factor of four. This condition will no longer apply, allowing insurers more freedom in their pricing. In addition, FINMA is harmonising its approach to discounts, which may not lead to actuarially unjustified significant discrepancies in the treatment of policyholders.