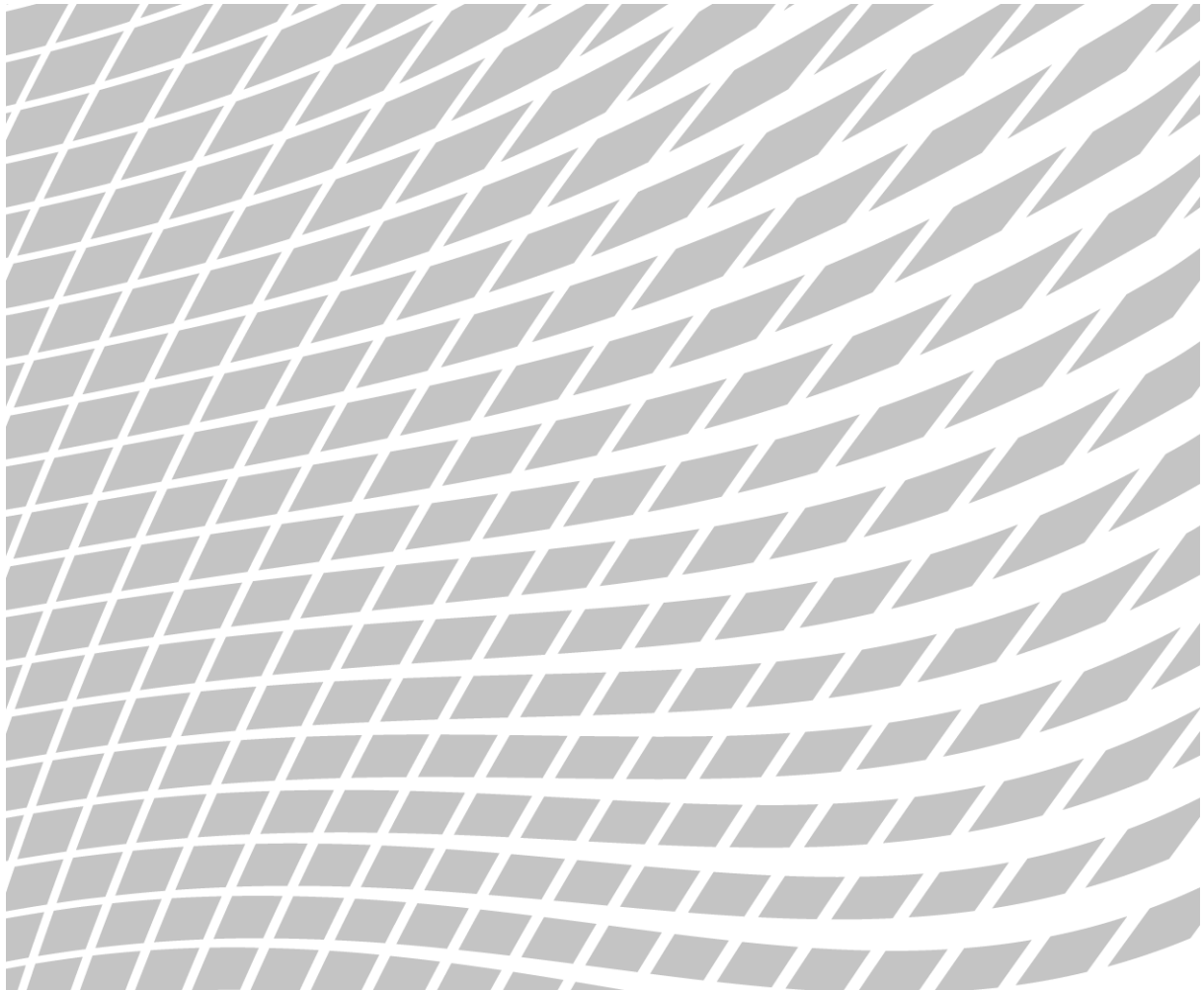


29 August 2014

Insurance market report 2013



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This report provides readers with an overview of the Swiss insurance market in 2013. The report comprises four parts: the first part provides information about the market as a whole, while parts 2, 3 and 4 focus on the life, non-life and reinsurance sectors.

Information about the insurance market included in this report and the electronic tables have been provided by the insurers and verified by FINMA. FINMA, however, does not guarantee the accuracy of the figures.

1 Market overview

1.1 Number of institutions by sector

	Insurers domiciled in Switzerland	Branches of foreign insurers	Total
At the end of 2013 (at the end of 2012)			
Life insurers	19 (19)	4 (4)	23 (23)
Supplementary health insurers	20 (21)	1 (1)	21 (22)
Non-life insurers	60 (60)	43 (41)	103 (101)
Reinsurers	28 (27)	– (–)	28 (27)
Reinsurance captives	34 (34)	– (–)	34 (34)
Total number of insurers under supervision	161 (161)	48 (46)	209 (207)

Not included in the above table are general health insurers, of which there were 14 on 31 December 2013. 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

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

The figures in the following tables refer to all solo insurers operating in the life, non-life and reinsurance sectors. They have been prepared on a statutory basis, and any changes in the values of assets and liabilities generally do not correspond to market value adjustments. Most asset classes are shown at historical 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 insurers are discounted with technical interest rates and not with the prevailing market yield curve. Provisions for non-life insurers are generally 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 contains only the values for solo insurers and as institutions are subject to FINMA supervision. The data on tied assets and premiums also includes the figures for FINMA-supervised Swiss branches of foreign insurers and general health insurers in the supplementary health insurance sector.

Market as a whole	2012	2013
<i>Figures in CHF 1000's</i>		
Balance sheet total	595,443,478	609,701,251
Assets		
Investments¹		
Real estate, buildings under construction and building land	8%	8%
Participations	12%	11%
Fixed-income securities	52%	53%
Loans and debt register claims	4%	4%
Mortgages	6%	6%
Equities and similar investments	2%	3%
Collective investments	6%	6%
Alternative investments	2%	2%
Net derivatives position ²	0%	0%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	2%	3%
Liquid assets	5%	3%
Total investments for own account	499,792,564	510,875,294
Investments from unit-linked life insurance	16,372,530	16,882,148
Total investments	516,165,094	527,757,442
Receivables from insurance activities	42,744,175	43,125,045
Receivables from investment activities	1,068,676	1,472,750
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	20,843,254	23,014,355
Accruals	9,761,142	11,067,393
Liabilities and equity		
Equity (before profit allocation)	72,879,190	76,274,166
Hybrid capital	19,780,979	21,653,931
Financial debt	19,216,440	16,123,477
Insurance technical liabilities	424,181,727	435,607,976
Liabilities from insurance activities	20,684,890	20,202,637
Liabilities from investment activities ³	1,540,713	2,888,750
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	23,838,026	24,228,237
Accruals	8,460,376	9,457,811

¹ Percentages are based on total investments for own account.

² Including credits and liabilities from derivative financial instruments.

³ Excluding liabilities from derivative financial instruments.

Market as a whole	2012	2013
<i>Figures in CHF 1000's</i>		
Annual profit	10,966,353	12,442,250
Premiums ⁴		
Gross premiums booked	118,176,569	123,275,689
<i>Reinsurers' portion</i>	<i>14,085,017</i>	<i>13,710,985</i>
Net return from investments		
Direct earnings from investments	19,966,191	20,035,550
Realised gains/losses	2,909,898	3,754,964
Write-ups/write-downs on investments	-2,441,029	-4,265,808
Expenses for the administration of investments	1,090,636	1,130,424
Total gains/losses from investments	19,344,423	18,394,282
Return on investments ⁵	3.96%	3.64%
SST ⁶		
Target capital	89,724,597	96,794,078
Risk-bearing capital	170,416,586	186,933,305
Solvency ratio	190%	193%
Solvency I		
Total required solvency margin	26,429,676	27,547,267
Total available solvency margin	90,381,852	95,823,068
Solvency ratio	342%	348%
Tied assets ⁴		
Total required value	304,560,266	314,426,554
Total cover values	331,942,648	345,939,684
Coverage ratio	109%	110%

⁴ Including foreign branches in Switzerland and health insurance funds.

⁵ Based on average investments held for own account.

⁶ Information provided by insurers. Any corrections made by FINMA are not included.

The temporary adjustments (FINMA Circular 13/2) have been taken into account.

1.3 Investments

1.3.1 Total assets invested

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

Total investments by insurers increased compared with the previous year on a statutory basis. Investments on own account by life insurers increased by 3.4%. Non-life insurers grew by 3.6%. Compared with the previous year, capital allocation in the life and non-life sectors was again steady in 2013. Despite the low-interest environment, fixed-interest securities continue to be the most important asset class (61% of all investments on own account in life insurance; 40% in non-life insurance). Exposure in equities and alternative investments was virtually unchanged against the previous year and remains at very low levels. The share of real estate and mortgages in the portfolios of insurers (21% of total investments on own account in life insurance and 8% in non-life insurance) also remained unchanged. Investments by reinsurers dropped by 4.6% which can mainly be attributed to changes in exchange rates. Reinsurers' capital allocation was virtually unchanged against the previous year.

	31.12.2012	31.12.2013
Return on investments for the whole market	3.96%	3.64%
Return on investments for life	3.62%	3.30%
Return on investments for non-life	4.16%	3.95%
Return on investments for reinsurance	4.79%	4.31%

In 2013, the return on average allocated capital that life insurers achieved on own account was 3.3%, compared with 3.62% in the previous year. Property insurers reported return on investments that is 21 basis points lower (3.95%) compared with the previous year. The direct return on investments by life insurers remained virtually unchanged compared with the previous year. As in previous years, important contributions (86%) came from direct earnings in the asset classes "fixed-interest securities", "real estate" and "mortgages". In 2013, direct return on investments by non-life insurers was higher than in 2012. This effect is due to significantly higher direct earnings from holdings, following years in which direct earnings in this field were repeatedly in the negative domain. Return on investments benefited from realised profits, which were significantly higher than in previous years, in particular in the case of life insurers. In 2013, return on investments was influenced negatively through unrealized losses by life and non-life insurers. Unlike in the previous year, net book losses were posted for fixed-interest investments. Booked exchange rate differences also had an overall negative effect on return on investments. In 2013, return on investments for reinsurers fell 48 basis points to 4.31% which is attributable primarily to lower direct income from participations.

1.3.2 Investments in tied assets

Capital allocation in tied assets on 31 December 2012 and 31 December 2013 was as follows:

	Life 31.12.2012	Life 31.12.2013	Non-life 31.12.2012	Non-life 31.12.2013
Real estate, buildings under construction and building land	14%	14%	11%	11%
Participations	1%	1%	0%	0%
Fixed-income securities	62%	62%	57%	56%
Loans and debt register claims	3%	3%	2%	2%
Mortgages	9%	9%	6%	6%
Equities and similar investments	1%	2%	5%	6%
Collective investments	2%	2%	8%	8%
Alternative investments	2%	2%	2%	2%
Net derivatives position	0%	1%	0%	0%
Time deposits and other money market investments	1%	0%	1%	2%
Receivables from reinsurance companies	0%	0%	2%	2%
Other investments	1%	2%	1%	1%
Liquid assets	4%	2%	5%	4%
Total investments for own account	251,850,914	262,933,976	64,520,234	66,975,173

Swiss insurers held CHF 330 billion in tied assets in their portfolios (16 billion in investments in unit-linked life insurance) at the end of 2013.

Life insurers had 90% (1% above the previous year) of all investments aggregated across all insurers (86% of net assets; in the previous year: 85%) invested in tied assets at the end of 2013; in the case of non-life insurers, it was 49% (unchanged from the previous year) of investments (42% of net assets; unchanged). On 31 December 2013, life insurers had invested 85% (unchanged compared with the previous year) and non-life insurers had invested 73% (74% in the previous year) of their tied assets in the strongest asset classes "bonds", "real estate" and "mortgages".

2 Life insurers

Life insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Balance sheet total	311,236,899	321,684,879
Assets		
Investments ¹		
Real estate, buildings under construction and building land	12%	12%
Participations	2%	2%
Fixed-income securities	60%	61%
Loans and debt register claims	4%	4%
Mortgages	9%	9%
Equities and similar investments	1%	2%
Collective investments	4%	4%
Alternative investments	2%	1%
Net derivatives position ²	0%	1%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	1%	1%
Liquid assets	4%	2%
Total investments for own account	283,277,631	292,948,122
Investments from unit-linked life insurance	16,372,530	16,871,305
Total investments	299,650,161	309,819,427
Receivables from insurance activities	1,724,818	1,983,203
Receivables from investment activities	310,466	231,636
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	1,992,175	2,261,333
Accruals	6,093,491	6,203,022
Liabilities and equity		
Equity (before profit allocation)	13,996,673	15,279,339
Hybrid capital	5,817,797	5,865,671
Financial debt	801,362	690,629
Insurance technical liabilities	270,880,481	280,009,392
Liabilities from insurance activities	6,697,287	7,057,958
Liabilities from investment activities ³	737,513	1,377,209
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	8,140,853	6,926,521
Accruals	2,699,145	3,291,903

¹ Percentages are based on total investments for own account.

² Including credits and liabilities from derivative financial instruments.

³ Excluding liabilities from derivative financial instruments.

Life insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Annual profit	993,139	1,509,853
Premiums ⁴		
Booked gross premiums	33,483,601	35,115,846
<i>Reinsurers' portion</i>	<i>257,935</i>	<i>305,352</i>
Net return from investments		
Direct earnings from investments	9,288,686	9,308,739
Realised gains/losses	1,275,101	2,057,202
Write-ups/write-downs on investments	68,838	-1,240,983
Expenses for the administration of investments	597,809	608,037
Total gains / losses from investments	10,034,817	9,516,921
Return on investments ⁵	3.62%	3.30%
SST ⁶		
Target capital	28,850,095	32,978,720
Risk-bearing capital	41,826,296	50,440,310
Solvency ratio	145%	153%
Solvency I		
Total required solvency margin	11,209,737	11,610,052
Total available solvency margin	31,546,141	34,894,242
Solvency ratio	281%	301%
Tied assets ⁴		
Total required value	254,574,804	263,859,060
Total cover values	267,422,413	278,953,768
Coverage ratio	105%	106%

⁴ Including foreign branches in Switzerland.

⁵ Based on average investments held for own account.

⁶ Information provided by insurers. Any corrections made by FINMA are not included.

The temporary adjustments (FINMA Circular 13/2) have been taken into account.

⁷ Available solvency margin includes eligible hidden reserves of CHF 9,658,442 (2012) and 12,025,249 (2013), and hybrid capital of 2,946,688 (2012) and 3,032,570 (2013).

The current economic situation poses enormous problems for life insurers. In general, their products come with very long maturities and guarantees and, in particular, interest rate guarantees. On the other hand, there were very few secure investment opportunities in 2013 – as was the case in previous years. For example, the yield on ten-year Confederation bonds has been declining for years and currently remains at historic low levels, a trend that also affected the SST quotients. On 1 January 2012, the average value of SST quotients of life insurers had dropped to 105%. By 1 January 2014, life insurers had managed to improve it to 153%. The improvement can be attributed

to measures aimed at increasing the capital and minimizing the risk, as well as to temporary adjustments (FINMA Circular 2013/2).

The assets life insurers use to cover liabilities arising from life insurance contracts must be secured in the form of tied assets, whereby the total target amount from such contracts, plus a safety margin of 1%, must be fully covered at all times. Meeting the obligations from insurance contracts takes precedence over any 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 ratios indicate that assets needed to cover the total target amount were on average 6% above the statutorily prescribed level at the end of 2013. This comes to CHF 15 billion for a target amount of CHF 264 billion in insurance obligations. The degree of security that the institution holding the tied assets offers – in connection with a strict principle of prudence for evaluating insurance obligations and a risk-based solvency regime – cannot be matched by other financial institutions in Switzerland.

2.1 Premium trends

Gross premiums booked <i>Figures in CHF 1000's</i>	2012	2013	Per-centage share 2013	Change in % since previous year
Group life occupational pension schemes	22,537,874	24,321,259	69.3%	7.9%
Classical individual capital insurance	4,393,368	4,497,053	12.8%	2.4%
Classical individual annuity insurance	673,663	559,900	1.6%	-16.9%
Unit-linked life insurance	1,643,134	1,584,749	4.5%	-3.6%
Life insurance linked to internal investment positions	985,811	816,173	2.3%	-17.2%
Capitalisation and tontines	442,993	419,361	1.2%	-5.3%
Other life insurance segments	448,949	448,642	1.3%	-0.1%
Individual life insurance not proratable on the branches	-	-	-	-
Health and casualty insurance	6,578	5,893	0.0%	-10.4%
Foreign branches	2,002,087	1,962,847	5.6%	-2.0%
Reinsurance accepted	349,143	499,968	1.4%	43.2%
Total	33,483,601	35,115,846	100.0%	4.9%

On the whole, the premium income of life insurers increased by CHF 1,632 million (previous year: CHF 724 million) or 4.9%, which is attributed primarily to group insurance in the occupational pensions sector (an increase of CHF 1,783 million compared with the previous year). While classical individual endowment insurance and assumed reinsurance also showed minor growth, all other sectors experienced a decline.

Premium volume in group contracts of occupational pensions as a share of total business volume (2013: 69.3%; 2012 and 2011: 67.3%; 2010: 63.5%; 2009: 61.4%) remains at a historic high level. This underscores the great importance of Pillar 2 not only for Swiss life insurers but also for small and medium-sized enterprises (SMEs), which are generating demand for risk-proof full value insurance models in the occupational pensions sector. Life insurers thus operate in a strongly regulated and politically sensitive field of social insurance. Based on its statutory mandate, FINMA's activities must ensure that these pension assets are fully protected.

Distribution of life insurance policies in the private pensions sector (Pillars 3a and 3b) has declined enormously in all product categories. The reason for this is low interest rates, which have declined by over 250 basis points since 2008 and continue to remain at low levels. Although life insurers are attempting to counter this trend by launching innovative savings products, they have not been entirely successful because they first and foremost have to protect the assets they hold.

2.2 Market shares in direct Swiss business

Insurer	2012		2013	
	Market share	Cumulative market share	Market share	Cumulative market share
AXA Life	28.9%	28.9%	30.1%	30.1%
Swiss Life	25.2%	54.1%	26.3%	56.5%
Helvetia Leben	10.2%	64.3%	10.9%	67.4%
Basler Leben	8.3%	72.6%	9.2%	76.7%
Allianz Suisse Leben	7.4%	80.0%	6.0%	82.7%
Zürich Leben	6.7%	86.6%	5.2%	87.9%

The six market leaders expanded in different directions in the direct Swiss business. While the four largest ones managed to grow their market shares by 4%, the two smaller ones jointly lost around 3%. The other smaller life insurers made up the remaining portion of 12% (2011 and 2012: 13%; 2010: 17%).

2.3 Actuarial reserves

Gross actuarial reserves <i>Figures in CHF 1000's</i>	2012	2013	Share in 2013	Change in % since previous year
Group life occupational pension schemes	132,534,790	139,858,153	55.2%	5.5%
Classical individual capital insurance	50,730,470	50,691,092	20.0%	-0.1%
Classical individual annuity insurance	19,096,662	18,498,375	7.3%	-3.1%
Unit-linked life insurance	14,290,141	14,698,741	5.8%	2.9%
Life insurance linked to internal investment positions	4,652,588	4,900,468	1.9%	5.3%
Capitalisation and tontines	1,518,586	1,906,909	0.8%	25.6%
Other insurance segments	3,875,948	3,697,641	1.5%	-4.6%
Foreign branches	18,113,164	18,666,900	7.4%	3.1%
Reinsurance accepted	324,481	383,513	0.2%	18.2%
Total	245,136,829	253,301,791	100.0%	3.3%

Actuarial reserves refer to a valuation of insurance obligations for each insured person individually and are based on conservative accounting standards. It must be recognised as the main component of underwriting liabilities when preparing the balance sheet and establishing tied assets (2013: CHF 280 billion; 2012: CHF 271 billion; 2011: 260 billion).

Total actuarial reserves of all insurance sectors in 2013 indicate growth of 3.3% (3.7% in previous year), taking into account the continuing challenging market conditions.

The decline (2012: CHF 1 billion; 2011: CHF 1.4 billion) in actuarial reserves in classical individual life insurance (primarily lump sum, pension and disability insurance) ended at a low level. The acquisition of new funds and the resulting growth in actuarial reserves thus remains very modest for as long as interest rates remain at their current low levels. The need to increase actuarial reserves in the classical individual life insurance sector was satisfied in 2013 (Section 2.4).

Although the continuing rise in stock markets led to a further increase in actuarial reserves of current unit-linked life insurance in 2013, the rate of growth was nevertheless modest compared with the previous year (+2.9% for unit-linked life insurance; +5.3% for life insurance linked to internal investment positions). Capitalisation business again increased significantly by 26%. This was largely because high net-worth individuals were asking for insurance products as a means of protecting their assets.

2.4 Underwriting result

Life insurance, income statement for 2013 <i>(including Swiss branches of foreign insurers)</i>	All business	Swiss business				Foreign business	
	A	B	C	D	E	F	G
	Occupational pensions		Other Swiss business				
	Classical individual life insurance		Unit-linked life insurance				
	A = B + G	B = C + D	D = E + F				G
Figures in CHF 1000's	A = B + G	B = C + D	D = E + F				G
Underwriting income	34,836,393	32,955,927	24,238,322	8,717,605	6,314,295	2,403,310	1,880,466
Payments for insurance claims	-29,518,018	-27,825,943	-18,586,057	-9,239,886	-7,401,717	-1,838,168	-1,692,075
Change in technical provisions (- = increase)	-9,518,033	-9,023,106	-8,125,282	-897,824	-274,875	-622,949	-494,927
Gains/losses from investments	10,473,364	9,412,334	4,883,870	4,528,464	3,643,323	885,141	1,061,030
Other income and costs for insurance activities	-56,226	1,443	42,137	-40,694			-57,699
Costs for surplus participation	-1,394,952	-1,097,617	-971,506	-126,111			-297,335
Costs for under-writing and taxes	-2,860,367	-2,504,766	-781,046	-1,723,720			-355,601
Costs for financing activities	-301,072	-295,039	-1,247	-293,792			-6,033
Other income and expenses	-152,063	-164,635	-19,053	-145,582			12,572
Annual result	1,509,025	1,458,598	680,137	778,461			50,427
in %	100%	96.7%	45.1%	51.6%			3.3%

In reporting year 2013, life insurers achieved a clearly better result on a statutory basis compared with the previous year. While the result for the occupational pensions sector was similar to that of previous years, private pensions (Pillars 3a and 3b) and life insurance in general made noticeable improvements. Underwriting income, claims paid out and expenses for insurance operations, however, did not change significantly, and return on capital even declined by 15%. The clearly improved result can be solely attributed to a sharp reduction in funds allocated to technical provisions. This effect is primarily

due to declining interest rates in previous years, resulting in a need to increase technical provisions because the underlying interest rates for calculating them had to be lowered. In the previous year, this process reached a noticeable saturation point, partially due to the slight decline in interest levels.

In 2013, the amounts paid out in insurance claims increased by 7.8% to CHF 29.5 billion. This trend was absorbed entirely by the group insurance business of Pillar 2. Underwriting income increased by 4.8% to CHF 34.8 billion, mostly from premium income from the group business of Pillar 2, which makes up 70% of the life insurance business. Low interest rates led to only modest growth in the classical life insurance sector. The most significant classical life insurance categories are endowment and annuity insurance. In the case of endowment insurance, the insurer guarantees the lump sum plus the interest due on death or maturity at a contractually agreed rate. In the case of annuity insurance, the insurer guarantees the contractually agreed pension until the person's death. The remaining business, too, did not show any positive changes worth mentioning, while the foreign business even declined.

After technical provisions required substantial support following the strong decline in interest levels in 2012, the need for additional funding had reached a clear saturation point on account of slight shifts in interest levels (-22% on CHF 9.5 billion) in 2013. However and as previously mentioned, this saturation was mostly derived from classical life insurance in the private pensions sector. In the group occupational pensions business, the statutorily prescribed conversion rates for future retirements that will remain in effect for years to come, plus the large portfolio of current pensions, will continue to cause a controversial need for additional funding. Furthermore, strong growth in this insurance sector since 2008 has created a need for additional reserves to be formed.

Investment income has declined considerably. It amounted to CHF 10.5 billion (previous year CHF 11.6 billion), which comes to a book yield of (held at own risk) of 3.30% (2012: 3.62%). The book yield provides the basis for calculating surplus participation, which can be expected only on policies for which the guaranteed technical interest is significantly below the book yield.

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

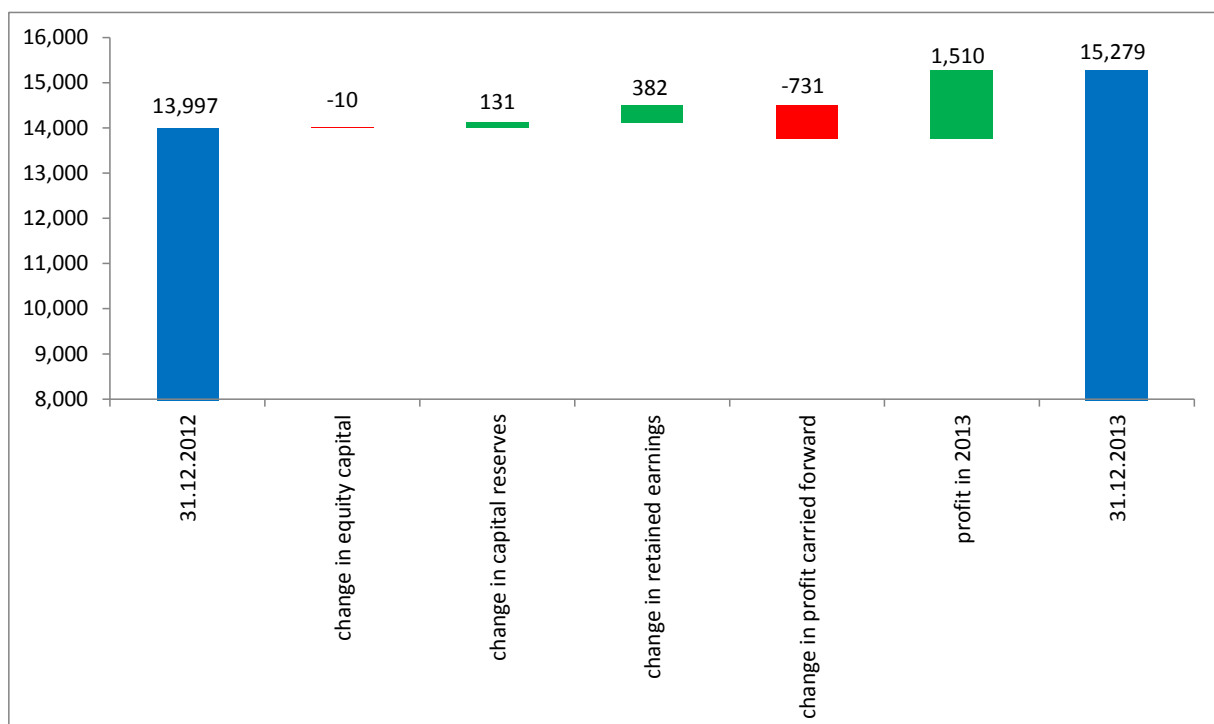
At the beginning of 2008	5.00
Surplus participation to insured parties	-1.50
Allocation to surplus fund from the income statement	+0.60
Cover for operating deficit	-0.10
Equalisation of currency differences	-0.20
At the end of 2008	3.80
Surplus participation to insured parties	-1.06
Allocation to surplus fund from the income statement	+1.39
Equalisation of currency differences	-0.02
At the end of 2009	4.11
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.35
Equalisation of currency differences	-0.19
At the end of 2010	3.88
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.50
Equalisation of currency differences	-0.03
At the end of 2011	3.96
Surplus participation to insured parties	-1.30
Allocation to surplus fund from the income statement	+1.17
Equalisation of currency differences	-
At the end of 2012	3.83
Surplus participation to insured parties	-1.42
Allocation to surplus fund from the income statement	+1.23
Equalisation of currency differences	+0.01
At the end of 2013	3.65

The trend of the cumulated surplus fund since 2008 clearly demonstrates the equalising function of the fund as an actuarial balance sheet position: Amounts allocated to policyholders in 2008, the year of the financial crisis, exceeded the amounts allocated from the income statement. In 2009, the opposite

applies as markets had somewhat recovered. The following years saw a more balanced situation. Because of the decline in market interest rates in 2012, subsequent allocations from the income statement were lower than in the previous year. This led to a slight decline in the level of the cumulated surplus fund, a situation that is likely to continue for as long as low interest rates prevail.

2.5 Changes in equity

Changes in equity in 2013 in CHF million



The financial year 2013 was marked by a moderate rise in interest rates from historic low levels. After the interest rate for ten-year Swiss medium-term notes lost 244 basis points between 2008 and 2012 (from 3.04% at the beginning of 2008 to 0.6% at the beginning of 2013), it gained 65 basis points in 2013, ending at 1.25%. Interest rate trends are very important for life insurers because 60% of their investments are in fixed-interest securities. The moderate rise in interest rates had no effect on investment income because a part of earlier gains from securities with higher interest rates had to be redistributed to the part with lower interest rates on account of maturities, or sold for the purpose of realising hidden reserves. Nevertheless, life insurers produced a good annual result in 2013 (cumulated CHF 1,509 million). The annual result was approx. 50% above that of the previous year. The reason for this was the improved underwriting income, which managed to more than compensate the reduced investment income compared with 2012. The good annual result enabled life insurers to strengthen their equity base (by cumulated CHF 1,262 million, from CHF 14 billion to CHF 15.3 billion).

Annual results in CHF (including foreign branches 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
2013	1,509,025,303

* Adjusted for the unique effects of divestments.

3 Non-life insurers

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

Non-life insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Balance sheet total	148,580,700	153,952,478
Assets		
Investments		
Real estate, buildings under construction and building land	5%	5%
Participations	24%	25%
Fixed-income securities	40%	40%
Loans and debt register claims	5%	4%
Mortgages	3%	3%
Equities and similar investments	3%	3%
Collective investments	5%	6%
Alternative investments	2%	2%
Net derivatives position ¹	0%	0%
Time deposits and other money markets investments	2%	2%
Policy loans	0%	0%
Other investments	6%	6%
Liquid assets	5%	4%
Total investments	132,151,169	137,415,645
Receivables from insurance activities	5,624,749	5,732,902
Receivables from investment activities	597,455	709,162
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	7,723,116	7,320,801
Accruals	1,634,116	1,896,525
Liabilities and equity		
Equity (before profit allocation)	32,486,971	34,694,823
Hybrid capital	7,589,965	8,816,275
Financial debt	11,728,995	11,556,334
Insurance technical liabilities	79,182,552	79,720,876
Liabilities from insurance activities	2,942,318	3,106,268
Liabilities from investment activities ²	399,696	259,808
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	8,422,238	9,734,376
Accruals	4,977,870	5,186,275

¹ Including credits and liabilities from derivative financial instruments.

² Excluding liabilities from derivative financial instruments.

Non-life insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Annual profit	5,252,000	6,787,305
Premiums ³		
Booked gross premiums	49,876,075	51,315,241
<i>Reinsurers' portion</i>	<i>6,235,680</i>	<i>6,414,361</i>
Net return from investments		
Direct earnings from investments	5,037,949	5,443,425
Realised gains/losses	457,065	530,256
Write-ups/write-downs on investments	161,551	-419,768
Expenses for the administration of investments	195,603	227,362
Total gains / losses from investments	5,460,962	5,326,551
Return on investments ⁴		
	4.16%	4.0%
Loss ratio	61.8%	58.0%
Expense ratio	24.2%	23.3%
Combined ratio	86.0%	81.3%
SST ⁵		
Target capital	36,822,268	40,990,320
Risk-bearing capital	75,891,105	83,392,457
Solvency ratio	206%	203%
Solvency I		
Total required solvency margin	8,187,622	8,602,226
Total available solvency margin	34,403,923	36,562,036
Solvency ratio	420%	425%
Tied assets ³		
Total required value	49,985,461	50,567,594
Total cover values	64,520,234	66,986,016
Coverage ratio	129%	132%

³ Including foreign branches in Switzerland and health insurance funds.

⁴ Based on average investments held for own account.

⁵ Information provided by insurance companies. Any corrections made by FINMA are not included.

The temporary adjustments (FINMA Circular 13/2) have been taken into account. The general health insurer SWICA is also included.

Non-life insurers made clear progress in their operations in 2013. The combined ratio declined by 4.7% to 81.3% against the previous year. This improvement was achieved primarily through a smaller loss ratio (minus 3.8%) on account of higher earned gross premiums (plus 3.9%) and a decline in reserved gross claims (minus 1.9%).

Booked gross premiums of overall business increased by 2.9% in 2013, ultimately amounting to CHF 51.3 billion. The increase in premiums was mainly generated by the indirect business.

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 2013	Change in % since previous year
	2012	2013		
Health	9,239,019	9,667,201	36.9%	2.2%
Fire/property	3,990,045	4,111,219	15.7%	-0.6%
Accident	2,964,433	2,929,986	11.2%	-1.8%
Motor vehicle (comprehensive)	2,824,663	3,028,758	11.6%	3.3%
Motor vehicle (liability)	2,686,462	2,742,721	10.5%	0.8%
Liability	1,903,820	1,948,444	7.4%	1.7%
Marine, aviation, transport	427,434	432,465	1.7%	-3.2%
Legal expenses	438,664	492,193	1.9%	6.1%
Financial losses	330,307	335,470	1.3%	1.8%
Credit, surety	283,920	310,909	1.2%	2.7%
Tourist assistance	193,906	206,523	0.8%	4.4%
Total direct insurance	25,282,674	26,205,890	100.0%	1.2%

Premium growth in 2013 amounted to 1.2% (previous year: 2.4%). As in the previous year, the increase in health insurance (plus 2.2%) was attributed to premium adjustments. The light decline in the "Fire, property damage" sector must be seen in connection with price pressures in the industrial business and buildings insurance business. The decline in "accident" insurance is due to the competitive environment of this high-volume sector.

The rising number of vehicles and the associated share of new vehicles are the driving forces in the "Motor vehicle (comprehensive)" and "Motor vehicle (liability) insurance. The growth rates, however, were more moderate compared with previous years.

The continuous growth in the "Legal protection" insurance sector is the result of changed consumer behaviour in the field of legal expenses insurance. Disputes are increasingly being brought to court, and they are thus driving demand for legal protection policies.

In view of the continued positive economic data, a growth trend with respect to volume could be observed in the "financial losses", "credit/surety", and "tourist assistance" insurance sectors in 2013, the same as in previous years.

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
	2012	2012	2013	2013
AXA Versicherungen	18.8%	18.8%	18.7%	18.7%
Zürich Versicherungen	15.2%	34.0%	15.0%	33.7%
Schweizerische Mobiliar	13.7%	47.7%	14.2%	47.9%
Allianz Suisse	10.2%	57.9%	10.2%	58.1%
Basler	7.6%	65.5%	7.6%	65.7%
Generali Assurances	4.6%	70.1%	4.7%	70.4%
Helvetia	4.6%	74.7%	4.6%	75.0%
Vaudoise	4.2%	78.9%	4.3%	79.3%
Schweizerische National	4.1%	83.0%	4.1%	83.4%

The ranking of market shares in the direct Swiss business remained unchanged compared with the previous year. Swiss Mobiliar could increase its market share by 0.5%. The strong market concentration reflected also in market shares of the nine major non-life insurers. Cumulated market share of 83.4% was slightly above that of previous year.

3.3 Loss ratios for Swiss business

Loss ratios for direct Swiss business

Direct business	Loss ratio	
	2012	2013
Health	71.1%	71.6%
Fire/property	50.4%	48.9%
Accident	61.9%	72.8%
Motor vehicle (liability)	73.5%	77.0%
Motor vehicle (comprehensive)	37.6%	35.5%
Liability	38.5%	47.8%
Marine, aviation, transport	49.1%	46.1%
Legal expenses	49.7%	50.0%
Financial losses	64.2%	34.6%
Credit, surety	43.8%	24.3%
Tourist assistance	71.9%	70.9%
Total	60.0%	61.4%

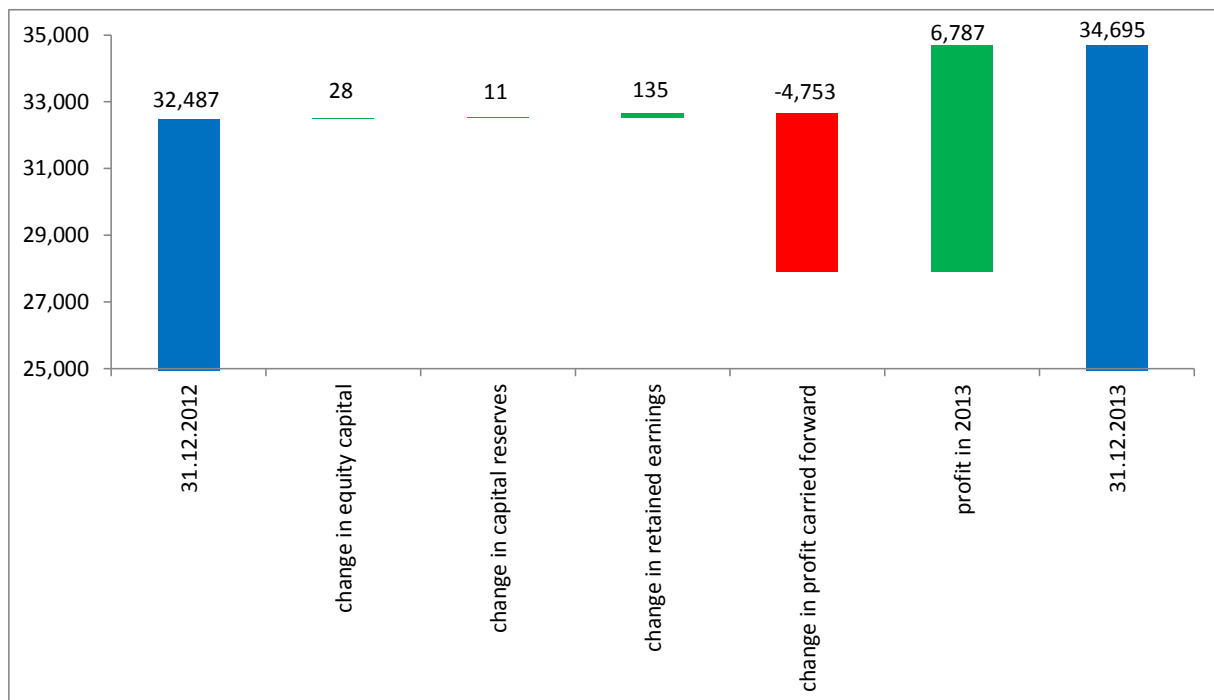
The claims ratios in the direct Swiss business indicated a trend reversal and was higher across all sectors, unlike in previous years. The higher claims ratio in the "accident" sector can be attributed to higher claims payments (plus 5.7%) and lower gross premiums (minus 1.8%). Higher claims payments were due to an increase in the number of accidents (plus 3.2%) and to wage trends. In the "Motor vehicle (comprehensive)" sector, the increased claims ratio was on the one hand the result of the hail storms in the spring of 2013; on the other hand, it was caused by an increase in loss reserves and by higher repair costs resulting from technically more complex vehicles.

In the "liability" sector, claims payments decreased by 5.7%. This decline was more than compensated on account of large shifts in technical provisions, resulting in a 9.3% higher claims ratio.

The improved claims ratio in the "Fire, property damage" sector is due to the fact that fewer large claims from natural hazards were filed compared with the previous year. In the "Motor vehicle (liability)" sector, a steady decline in the number of road traffic accidents with serious and light injuries can be observed, which is having a positive effect on the claims ratio. The reasons for the decline in traffic accidents are additional safety measures and improved passive safety features in vehicles. The decline in the claims ratio in the "Financial losses" and "Credit, surety" sectors can be attributed to positive claims handling procedures.

3.4 Changes in equity

Changes in equity in CHF million in 2013



Equity (prior to appropriation of profits) of Swiss non-life insurers increased by 6.8% to CHF 34.7 billion in 2013. This trend is primarily due to an increase in annual return (plus CHF 1.5 billion, or plus 29%).

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. The tables contain the aggregated data of all institutions supervised by FINMA that do business solely in accordance with the Insurance Contract Act (ICA) and are active primarily in the "health" sector. On 31 December 2013, there were 21 insurers in this field. To understand the market better, the values shown under premiums and tied assets also include health insurance funds in the supplementary health insurance sector. When including the daily benefits business of the remaining property and life insurers whose core business does not include health insurance, total gross premiums of the supplementary health insurance business supervised by FINMA come to CHF 9.7 billion (previous year: CHF 9.5 billion).

Health insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Balance sheet total	13,605,104	15,310,184
Assets		
Investments		
Real estate, buildings under construction and building land	5%	5%
Participations	1%	1%
Fixed-income securities	43%	45%
Loans and debt register claims	0%	0%
Mortgages	0%	0%
Equities and similar investments	14%	13%
Collective investments	21%	21%
Alternative investments	3%	3%
Net derivatives position ¹	0%	0%
Time deposits and other money markets investments	2%	1%
Policy loans	0%	0%
Other investments	2%	2%
Liquid assets	9%	9%
Total investments	12,331,762	14,038,919
Receivables from insurance activities	566,131	536,095
Receivables from investment activities	13,566	12,181
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	519,117	550,894
Accruals	172,195	171,928
Liabilities and equity		
Equity (before profit allocation)	2,474,141	2,828,825
Hybrid capital	49,906	49,906
Financial debt	15,942	21,667
Insurance technical liabilities	8,537,642	9,526,961
Liabilities from insurance activities	506,210	472,899
Liabilities from investment activities ²	5	6
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	1,457,898	1,773,655
Accruals	561,027	636,097

¹ Including credits and liabilities from derivative financial instruments.

² Liabilities from derivative financial instruments excluded.

Health insurers	2012	2013
<i>Figures in CHF 1000's</i>		
Annual profit	546,741	617,593
Premiums ³		
Booked gross premiums	6,747,132	6,897,680
<i>Reinsurers' part</i>	<i>41,466</i>	<i>47,729</i>
Premiums including VAG part of health funds ³		
Booked gross premiums	8,714,949	8,893,480
<i>Reinsurers' part</i>	<i>42,613</i>	<i>51,596</i>
Net return from investments		
Direct earnings from investments	268,329	300,902
Realised gains/losses	68,319	147,788
Write-ups/write-downs on investments	143,188	29,133
Expenses for the administration of investments	33,745	55,745
Total gains / losses from investments	446,092	422,079
Return on investments ⁴	3.80%	3.20%
SST ⁵		
Target capital	2,395,541	2,867,120
Risk-bearing capital	8,414,321	9,709,922
Solvency ratio	351%	339%
Solvency I		
Total required solvency margin	1,140,243	1,263,783
Total available solvency margin	3,467,450	4,230,167
Solvency ratio	304%	335%
Tied assets ³		
Total required value	7,924,133	8,610,860
Total cover values	10,117,106	11,449,472
Coverage ratio	128%	133%
Tied assets including VAG part of health funds ³		
Total required value	9,111,048	9,575,327
Total cover values	11,576,091	12,711,060
Coverage ratio	127%	133%

³ Including foreign branches in Switzerland.

⁴ Based on average investments held for own account.

⁵ Information provided by insurance companies. Corrections made by FINMA not included. The temporary adjustments (FINMA Circular 13/2) have been taken into account. The general health insurer SWICA is also included.

Market shares in the health insurance business

Insurer	Market share in %	Cumulative market share in %	Market share in %	Cumulative market share in %
	2012	2012	2013	2013
Helsana Zusatzversicherungen	16.8%	16.8%	16.5%	16.5%
Swica Krankenversicherung	13.3%	30.1%	13.5%	30.0%
CSS	12.7%	42.8%	12.9%	42.9%
Visana	11.5%	54.3%	11.4%	54.3%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	9.4%	67.3%	9.9%	64.2%
Concordia	6.4%	70.1%	6.1%	70.3%
Sanitas	5.7%	75.8%	5.7%	76.0%
Sypany	3.3%	79.1%	3.4%	79.4%

4 Reinsurers

Reinsurers	2012	2013
<i>Figures in CHF 1000's</i>		
Balance sheet total	135,625,880	134,063,894
Assets		
Investments		
Real estate, buildings under construction and building land	1%	0%
Participations	24%	23%
Fixed-income securities	44%	44%
Loans and debt register claims	1%	2%
Mortgages	1%	1%
Equities and similar investments	1%	3%
Collective investments	13%	14%
Alternative investments	3%	2%
Net derivatives position ¹	0%	0%
Time deposits and other money markets investments	3%	3%
Policy loans	0%	0%
Other investments	4%	4%
Liquid assets	5%	4%
Total investments	84,363,764	80,522,369
Receivables from insurance activities	35,394,608	35,408,940
Receivables from investment activities	160,755	531,952
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	11,127,963	13,432,221
Accruals	2,033,534	2,967,846
Liabilities and equity		
Equity (before profit allocation)	26,395,546	26,300,004
Hybrid capital	6,373,217	6,971,985
Financial debt	6,686,083	3,876,514
Insurance technical liabilities	74,118,694	75,877,709
Liabilities from insurance activities	11,045,285	10,038,410
Liabilities from investment activities ²	403,504	1,251,733
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	7,274,935	7,567,340
Accruals	783,361	979,633

¹ Including credits and liabilities from derivative financial instruments.

² Excluding liabilities from derivative financial instruments.

Reinsurers	2012	2013
<i>Figures in CHF 1000's</i>		
Annual profit	4,721,214	4,145,092
Premiums		
Booked gross premiums	34,816,893	36,844,601
<i>Retroceded portion</i>	<i>7,591,402</i>	<i>6,991,271</i>
Net return from investments		
Direct earnings from investments	5,639,555	5,283,386
Realised gains/losses	1,177,732	1,167,505
Write-ups/write-downs on investments	-2,671,419	-2,605,057
Expenses for the administration of investments	297,224	295,024
Total gains/losses from investments	3,848,644	3,550,811
Return on investments ³	4.79%	4.31%
Netto-Combined Ratio, non-life	85.4%	80.6%
Benefit Ratio, life	83.6%	104.8%
SST ⁴		
Target capital	24,052,234	22,825,038
Risk-bearing capital	52,699,185	53,100,537
Solvency ratio	219%	233%
Solvency I		
Total required solvency margin	7,032,317	7,334,988
Total available solvency margin	24,431,788	24,361,261
Solvency ratio	347%	332%

³ Based on average capital held for own account.

⁴ Information provided by insurers. Corrections made by FINMA not included.

The temporary adjustments (FINMA Circular 13/2) have been taken into account.

The financial position of reinsurers remained mostly stable in 2013. Underwriting performance was nonetheless mixed: while non-life reinsurance improved, there was a substantial decline in life reinsurance attributable to the strengthening of provisions and a reinsurer's new intra-group retrocession cover. Annual profits went down from CHF 4.7 billion to CHF 4.1 billion.

4.1 Premium trends

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

Premiums earned (values in CHF1,000's)	2012	2013	Percentage share 2013	Change in % since previous year
Short-tail	9,728,934	11,624,164	41.2	19.5
Long-tail	5,625,842	7,143,795	25.3	27.0
Catastrophes	2,711,947	3,069,855	10.9	13.2
Total non-life	18,066,723	21,837,815	77.4	20.9
Life	8,457,158	6,388,502	22.6	-24.5
Total net premiums	26,523,881	28,226,317	100.0	6.4
Asia / Pacific	8,299,552	8,834,014	31.3	6.4
Europe	8,113,083	9,396,115	33.3	15.8
North America	9,022,473	8,764,256	31.0	-2.9
Rest of the world	1,088,774	1,231,932	4.4	13.1
Total net premiums	26,523,881	28,226,317	100.0	6.4

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

The net premiums earned for own account rose in 2013 by 6.4%. The long tail lines of business in particular recorded strong growth (plus 27%). On the other hand, however, life reinsurance fell significantly (minus 24.5%) primarily due to a positive one-time impact in the previous year (takeover of portfolios).

4.2 Loss ratios

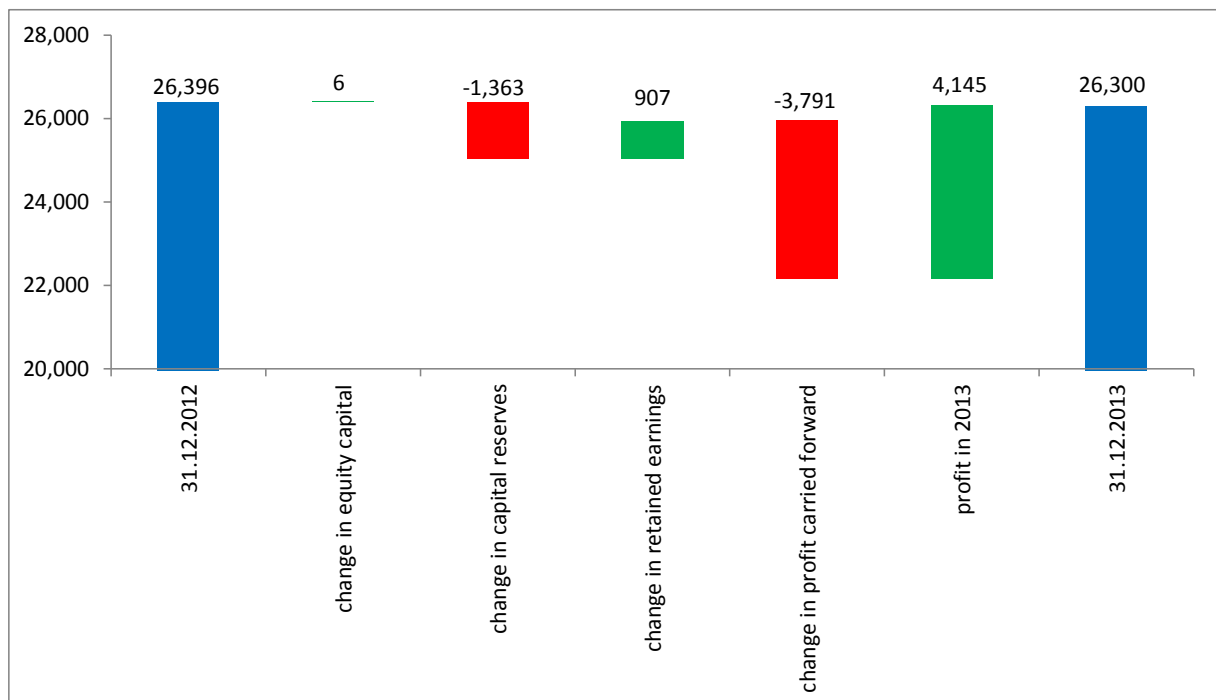
Loss ratios non-life (in percentage):

Combined line of business	2012	2013
Short-tail	62.3	56.7
Long-tail	68.5	65.8
Natural disasters	44.4	29.5
Total	61.5	55.9

The loss ratio dropped overall from 61.5% to 55.9%, in particular owing to a very low loss ratio of 29.5% in the natural disasters business. The scale of natural disasters in 2013 was lower. Moreover, provisions for events for previous years could be written back. Loss ratios in the other lines of business were also positively influenced by run-off gains.

4.3 Changes in equity

Changes in equity in 2013 in CHF million



Regulatory capital only changed slightly in 2013. The annual profits earned and the distributions (partly from capital reserves) largely offset each other. Some reinsurers, however, made distributions that considerably exceeded their annual profits and thus served to return surplus capital to the shareholders.