



Annual Report 2006 | 07

ASA | SVV

Schweizerischer Versicherungsverband
Association Suisse d'Assurances
Associazione Svizzera d'Assicurazioni
Swiss Insurance Association

The Swiss Insurance Association (SIA) is the umbrella organisation representing the private insurance industry. Our members are small and large, national and international primary insurers and reinsurers. Our member companies follow the guiding principles of the association:

- **To support free market entry and competition**
- **To provide quality, reliability, transparency and fair play in insurance**
- **To afford security based on professional underwriting and risk management**
- **To observe the Swiss Code of Best Practice and the Swiss Exchange's disclosure requirements**
- **To promote progressive employer practices**

Aims

We undertake efforts to maintain and promote a liberal and socially acceptable market and competitive system.

We are committed to an economically viable framework, in particular with regard to private pension provision, insurance supervision, insurance operations and accounting standards.

We promote trust and confidence in the insurance industry by pursuing an active, integrated approach to public relations.

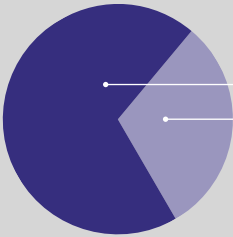
We create value for our members by means of know-how transfer, joint events and information activities.

We provide comprehensive, specially designed training modules.

We strive for loss prevention by adopting various measures.

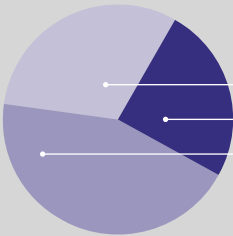
Premium volume of Swiss private insurance companies

in CHF billions



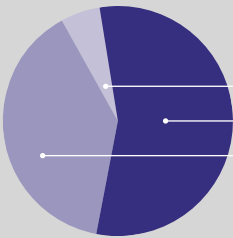
Global 2005

Abroad		122.3 *
Switzerland		53.5
Total		175.8



Abroad 2005

Reinsurance		38.0 *
Life insurance		30.5 *
Non-life insurance		53.8 *
Total		122.3 *



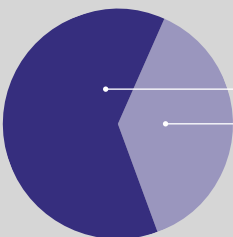
Switzerland 2005

Reinsurance		2.9 *
Life insurance		29.8
Non-life insurance		20.8
Total		53.5

Sources: Federal Office of Private Insurance

* SIA estimates

Employee statistics Swiss private insurance companies



Abroad		78 000
Switzerland		47 184
Total		125 184

Source: SIA personnel statistics as of 1 January 2007

Members of the Swiss Insurance Association

ACE Insurance European Group
 AIG Europe Versicherung
 Alba Versicherung
 Alea Europe AG
 Allianz Suisse Lebensversicherungsgesellschaft
 Allianz Suisse Versicherungsgesellschaft
 appenzeller Versicherungen
 Aspecta Assurance International AG
 Assista TCS SA
 Assura SA
 AXA Assurances
 AXA Vie

Basler Lebensversicherungsgesellschaft
 Basler Versicherungsgesellschaft

CAP Rechtsschutz Versicherungsgesellschaft
 Cardif Versicherungen
 CCAP Caisse cantonale d'assurance populaire
 Chubb Insurance Company of Europe SA
 Converium Insurance Company
 Coop Allgemeine Versicherung AG
 Coop Rechtsschutzversicherung
 CSS Versicherung AG

DAS Protection Juridique SA
 Die Mobiliar Versicherungen
 Die Mobiliar Vorsorge

emmental Versicherung
 Epona Société mutuelle d'assurance générale des animaux
 Europäische Reiseversicherungs AG
 Europäische Rückversicherungsgesellschaft

Fortuna Rechtsschutzversicherung

GAN Compagnie française d'assurances
 Garanta (Schweiz) Versicherungs AG
 Generali Assurances Générales
 Generali Personenversicherungen
 Genworth Versicherung
 Gerling Allgemeine Versicherungs AG
 Groupe Mutuel Vie GMV SA
 Groupe Mutuel Assurances

HDI Industrie Versicherung AG
 Helsana Unfall AG
 Helsana Versicherungen AG
 Helvetia Leben
 Helvetia Versicherungen

Império SA
 Infrassure Ltd.
 Innova Versicherungen AG
 Inter Partner Assistance

Mannheimer Versicherung AG

Nationale Suisse Leben
 Nationale Suisse Versicherungen
 Nouvelle Ré, Compagnie de Réassurances

Orion Rechtsschutz Versicherungsgesellschaft

PAX, Schweizerische Lebensversicherungsgesellschaft
 Phenix, Compagnie d'assurances
 Phenix, Compagnie d'assurances sur la vie
 Protekta Rechtsschutz-Versicherung AG

Rentes Genevoises
 Retraites Populaires Vie

Sanitas Krankenversicherung
 Schweizer Hagel
 SCOR Global Life Rückversicherung Schweiz AG
 Skandia Leben
 S.O.S. Evasan SA
 Swiss Life
 Swiss Re

TSM Transportversicherung

UBS Life AG
 UNIQA Assurances SA

Vaudoise Générale, Compagnie d'Assurances
 Vaudoise Vie, Compagnie d'Assurances
 Versicherung der Schweizer Ärzte
 Visana Versicherungen AG

Winterthur Leben
 Winterthur Versicherungen
 Winterthur ARAG Rechtsschutzversicherung

XL Insurance, Switzerland

Zenith Vie, Compagnie d'assurances sur la vie
 Zürich Versicherungs-Gesellschaft
 Zürich Lebensversicherungs-Gesellschaft

As of 1 January 2007
 contact information and Internet addresses
 available at www.svv.ch (About us/SIA-Members)

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Ladies and gentlemen

Our industry is in very sound operational health. Following a year of record losses, 2006 fortunately witnessed no major loss events. This buoyed the international equity markets, which registered a creditable performance, enabling private insurers to report good results, even if they did vary according to business line. These conditions also enabled our member companies to post very good annual results.

The year under review was a successful one for our association as well. This annual report informs you of the many areas in which the SIA played an active role and helped shape 2006. Particularly worthy of mention were the first ever Swiss Insurance Days held in Brussels and Berlin, which enabled the Swiss private insurance industry to raise its profile in an international context.

The Board and our various committees, commissions, working and project groups worked intensively to manage the broad and complex workload faced by our association. The experts who sit on our committees were active at all levels, placing their time and specialist know-how at our disposal in numerous meetings.

The result of this intensive work is documented in this annual report. We would like to sincerely thank all those of our members whose work in our committees helped our association achieve its goals in the year under review.

Swiss Insurance Association

Albert Lauper, Chairman

Lucius Dürr, CEO

Key events impacting the Swiss private insurance industry in 2006 and 2007

2006 was a good year for the private insurance industry. This was due to the fortunate absence of major loss events and the creditable performance of international equity markets, which enabled our member companies to report good results.

January 2006

1.1.2006 | *Insurance Supervisory Act/Insurance Supervisory Ordinance* (VAG/AVO) and partial revision of the *Insurance Contracts Act* (VVG) enter into effect.

25.1.2006 | *SIA media conference*: Insurers in good shape in 2005 despite record losses.

February 2006

1.2.2006 | *Financial market supervision*: The Federal Council approves the bill to introduce a new financial market supervisory authority. The Federal Banking Commission, Federal Office of Private Insurance and the Money Laundering Control Authority are to be brought under the aegis of a federal financial market supervisory body called FINMA. The SIA supports integrated financial market supervision and advocates the creation of an independent insurance arm within FINMA.

March 2006

17.3.2006 | *Free choice of pension fund*: The Federal Council rejects the motion to allow people a free choice of pension fund.

31.3.2006 | *FORUM@insurance*: SIA conference on natural catastrophes in Switzerland.

April 2006

12.4.2006 | *Accident insurance*: The Federal Council commissions the revision of the Federal Accident Insurance Act (UVG) and confirms its wish to continue to have Swiss Accident Insurance (Suva), private insurers and recognised health insurers jointly fund the state compulsory accident insurance fund. The 23 private accident insurers and nine recognised health insurers constitute an indispensable pillar in the field of compulsory accident insurance. The SIA will present its detailed response to the individual points of the revision within the context of the consultation process.

June 2006

14.6.2006 | *The SIA Annual General Meeting*: The Board is reconstituted: Chairman Albert Lauper and the gentlemen proposed for re-election are unanimously re-elected for a further period of office. Four new members are also elected to the Board.

14.6.2006 | *Winterthur*: The Credit Suisse Group announces AXA's takeover of Swiss insurer Winterthur.

July 2006

5.7.2006 | *Occupational pensions*: The Federal Council passes the bill on structural occupational pension reform to the consultation phase. The draft aims at improving the supervision of occupational pensions. The SIA considers the reform of supervisory occupational pension legislation to be urgent and is of the opinion that the proposed measures fall short of the mark.

August 2006

22.8.2006 | *SIA media conference*: The SIA holds a media conference one year after the devastating storms. Swiss private insurers wish to offer future coverage of CHF 2 billion to guarantee that the Swiss population and industry have recourse to full insurance protection, even in the aftermath of hundred-year events.

29.8.2006 | *Accident insurance*: The Federal Department of Home Affairs (FDHA) lowers the technical interest rate for compulsory accident insurance from 3.25 % to 3 %. The new rate applies to new accidents from 1 January 2007.

September 2006

13.9.2006 | *Minimum interest rate*: The Federal Council sets the minimum interest rate for occupational pensions at 2.5 % for 2007 and 2008. The SIA supports this decision.

13.9.2006 | *FOPI*: The Federal Council appoints Monica Mächler the new Director of the Swiss Federal Office for Private Insurance (FOPI). Ms Mächler was formally a member of the Group Management Board of Zurich Financial Services and will take up office at the beginning of the year.

21.9.2006 | *Insurance Contracts Act (VVG)*: The expert commission charged with conducting a revision of the Insurance Contracts Act publishes its draft version accompanied by an explanatory report. The SIA expects the consultation phase to commence at the beginning of 2008.

24.9.2006 | *Sunday referendum*: Swiss voters reject the popular initiative “National Bank profits for the AHV state pension fund” by a majority of 58.3%.

October 2006

17.10.2006 | *Swiss Insurance Day*: The SIA holds the first Swiss Insurance Day in Brussels. The aim of the event is to improve relations between the Swiss private insurance industry and the European Union. The SIA advocates the development of tough market-friendly European regulation and the mutual recognition of insurance supervisory authorities.

18.10.2006 | *Natural perils insurance*: The Federal Council raises the statutory cover limits for natural catastrophes from CHF 500 million to CHF 2 billion in response to the significant increase in natural perils risk. A corresponding amendment is made to the Supervisory Ordinance (AVO), which will enter into force on 1 January 2007.

November 2006

1.11.2006 | *Professional training*: The Swiss insurance industry modernises its advanced professional training portfolio, launches the Insurance Management School HFV and introduces a revised federal certificate in insurance. Both courses of study will be offered for the first time in autumn 2007.

22.11.2006 | *Minimum conversion rate*: The Federal Council submits to parliament its draft proposal to adjust the conversion rate for occupational pensions. The draft calls for a reduction in the conversion rate for occupational pensions from 6.8 % to 6.4 % between 2008 and 2011. While considering this reduction a step in the right direction, the SIA would prefer to see the conversion rate at 6 %.

26.11.2006 | *Sunday referendum*: The Swiss vote in favour of the Federal Act on Cooperation with the States of Eastern Europe by a majority of 53.4 %.

30.11.2006 | *FORUM@insurance*: The SIA stages a national conference on the growing “disablement” of our society. More than 200 participants discuss the challenges presented by the rapid rise in the number of state disability pension recipients.

December 2006

4.12.2006 | *SIA media conference*: The Swiss Insurance Association publishes the results of the study examining the implications of the Swiss Solvency Test for the economy.

January 2007

24.1.2007 | *SIA media conference*: The private insurance industry can look back on an outstanding year and is in good shape. Insurers are benefiting from the strong performance of the financial markets and a favourable claims experience.

March 2007

6.3.2007 | *International events*: The SIA holds a Swiss Insurance Day in Berlin on the subject of “The Swiss insurance industry in an international environment”.

11.3.2007 | *Sunday referendum*: Swiss voters reject the popular initiative “for a single health insurance system” by a clear 71.2 % majority.

Insurance business is becoming increasingly important for the economy and increasingly international in scope

The economic significance of the Swiss insurance industry is becoming increasingly apparent to politicians, the media and the public, who are coming to realise that financial safeguards are indispensable for the progress of our modern society. This realisation is growing not only in Switzerland but also in the international arena.

Over the course of the past few years, the Swiss insurance industry has continuously expanded its operations outside Switzerland and today contributes a substantial share to the Swiss trade surplus: while imported insurance services have remained stable at some CHF 125 million over the past few years, exports have edged up to just under CHF 5 billion. This indicates that just under 70% of the CHF 176 billion premium volume generated by Swiss insurers comes from abroad.

Holding its own in the international arena

Insurance business has become highly globalised. Primary insurers now conduct their international business primarily via their subsidiaries or branches abroad, while reinsurers have massively stepped up their cross-border transactions.

Swiss insurers must hold their own in an innovative, dynamic and global competitive environment. And they do this very successfully: two primary insurers from Switzerland count among the 15 biggest insurance groups in Europe. What is more, the world's biggest reinsurer – Swiss Re – is a Swiss company. Swiss-based insurance groups are active in most segments of the international markets and number among the world's global players.

Mutual recognition of supervisory regimes necessary

The Swiss insurance industry also has a global reach. For this reason internationally recognised standards – such as those concerning insurance supervision – must be created and evolved. One central aim for the Swiss insurance industry, for example, is the mutual recognition of supervisory regimes. Accordingly, Swiss insurers are ready and willing to work on EU bodies in the interests of creating more propitious conditions in the European insurance market. In the year under review, rep-

resentatives from the SIA contributed their know-how and many years' international experience at two highly regarded information events held at the Swiss Mission in Brussels and Swiss Embassy in Berlin. Further events of this type are planned.

“The Swiss insurance industry has a global reach. For this reason internationally recognised standards must be created and evolved.”

CHF 1 billion in corporate taxes

The superbly positioned insurance industry is, however, also a mainstay of the Swiss financial centre and our entire economy. Swiss insurers contribute more than 5% to our country's gross domestic product, making the sector one of the six biggest in Switzerland. With a view to productivity – in other words, the value added per employee – our sector leads all the others. A conservative estimate of the income tax and corporate tax generated by the financial sector – banks and insurers – amounts to some 10% of total tax receipts in Switzerland. The corporate taxes paid by private insurers alone are approximately CHF 1 billion.

Private insurers are important employers

215 private insurance institutions are registered with the Swiss supervisory authorities, with a workforce of more than 47,000 in Switzerland and some 78,000 abroad. Insurers account for around 17% of the total capital, or some CHF 96 billion, held by Swiss companies abroad.

“Nothing functions in our modern world without insurance.”

Highest insurance density in the world

The fact that large foreign insurance groups have also established operations in Switzerland is testimony to the major importance attributed to the Swiss market by the international insurance industry. With a per-capita premium volume in excess of USD 5,500, Switzerland has the world's highest insurance density. In terms of insurance penetration – that is, premiums as a percentage of GDP – at 11.2% our country is second only to the UK, while measured in terms of its premium volume in excess of USD 41 billion in 2005, Switzerland's insurance market is the fifteenth biggest domestic market in the world. In a European comparison, Switzerland ranks eighth. Life insurers in Switzerland generated CHF 29.8 billion in 2005, and property and casualty insurers CHF 20.8 billion.

Unique natural perils coverage

Property and casualty insurance in the Swiss market has some distinctive characteristics: for example, safeguards against the financial consequences of natural catastrophes are financed by a Swiss-wide natural perils insurance. Virtually every building and household in Switzerland is insured against natural perils such as floods, high water or avalanches. Private insurers have joined together to form a unique instrument of solidarity – the Swiss Natural Perils Pool – to shoulder these losses. Each company in this community participates in the total losses – minus its retention – in line with its market share. This system has proved its worth. In Au-

gust 2005 Switzerland was hard hit by severe storms. Swiss private insurers paid out claims amounting to CHF 1.3 billion and thereby proved their financial strength.

High macroeconomic benefit

These storms also highlighted in an exemplary manner the high benefit of insurance for the economy as a whole. Most of the households, agricultural and small enterprises affected would have been in dire straits had it not been for insurance. In the best-case scenario, they would have been able to meet the costs of some of the damage, while their further economic development would have been thwarted for years to come.

But exactly the opposite happened: houses were repaired, broken household contents replaced and commercial premises restored to their original condition. Insurers not only saved individuals from social distress and companies from the brink of bankruptcy but also contributed to value creation, while boosting the whole economy.

Nothing functions in our modern world without insurance. Without it it would be difficult, if not impossible, to undertake new initiatives or push ahead with economic progress. The investments needed to finance the development of small- and medium-sized companies, major corporations and public infrastructure projects would be inconceivable without insurance protection. Insurance companies are a key driver of the economy, providing a broad range of employment and attractive training opportunities. Insurers thus assume a special role in today's business world, which they aim to fulfil to the best of their abilities in the services of their policyholders, society as a whole and the economy.

Albert Lauper, Chairman

Growing confidence in the insurance industry

2006 was a successful year for the Swiss Insurance Association, which succeeded in achieving most of its wide-ranging goals. The economic framework within which the insurance industry operates was improved further.

The Swiss Insurance Association renders important and indispensable services to the economy and society. In the year under review, the SIA focussed its efforts on improving the economic framework within which the industry operates and on serving the needs of its member companies. This involved helping shape the physical and organisational structure of the insurance supervisory authority and playing a role in the formulation of legislation of relevance to the insurance industry.

What makes the insurance industry indispensable

The industry also stepped up its communication activities, which played non too small a role in improving its image. The SIA is recognised in political and business circles as a competent stakeholder. The public were made increasingly aware of how indispensable the insurance industry is for Switzerland's well-being.

The Swiss insurance industry also made progress in gaining international recognition, extending its network in Europe and increasing its communication activities, particularly in Brussels.

Opportunity for realistic conditions in the BVG

The SIA has for years been fighting for realistic conditions on the occupational pension front. The Federal Council now intends to lower the conversion rate at a faster pace than was foreseen in the first BVG revision. Experts were unanimous in their view that the conversion rate had not been reduced sufficiently. The SIA now sees a window of opportunity to finally introduce realistic conditions in the occupational pension area. The welcome fact that pensioners are living longer lives must be factored into actuarial calculations.

Despite tremendous pressure from left-wing parties and the unions, the government issued a Federal De-

cree ordering that the minimum interest rate be left unchanged at 2.5 %. This success can be attributed to the efforts of the SIA. Furthermore, the supervisory authorities and the Federal Council confirmed that the SIA member companies had fully complied with the regulations governing the distribution of profit generated by occupational pension plans (known as the legal quota).

“The public were made increasingly aware of how indispensable the insurance industry is for Switzerland's well-being.”

SIA aiming to take the lead on the pension provision issue

The successes achieved in the occupational pension area in 2006 are, however, nothing but repair work to existing regulations. It is thus the SIA's urgent desire to take the lead on the pension provision issue by introducing its own model and ushering in the necessary reforms.

The debate about the legal quota has proven that transparency in the BVG area must be enhanced through increased communication efforts by the SIA and its member companies.

Furthermore, supervision needs to be improved urgently over the long term in the interests of our member companies. The future integration of BVG supervision into financial market supervision therefore needs to be clarified by the Federal Council before the end of 2007.

Strong supervision is in the interests of the SIA

The SIA has always been in favour of having a strong financial market supervisory authority and is convinced that the new umbrella authority will render an additional vital contribution to promoting the good reputation of Switzerland as a financial centre. The structure of the future Financial Market Supervisory Act (FINMAG) as designed by the parliamentary preparatory committee is largely in line with the SIA's expectations. The act will not be able to take effect until 2009, however. Another competent figure has been appointed head of the insurance supervisory authority in the person of Monica Mächler. Having a strong supervisory body is in the interests of the SIA and makes an important contribution to promoting confidence in Switzerland as a financial centre.

Active involvement with the panel of experts

The financial market supervisory authority model must be structured in such a way as to permit the insurance sector to operate as autonomously as possible with the aid of skilled specialists. The SIA would welcome the creation of an independent insurance arm within FINMA with its own organisation and staff. Thanks to the efforts of the SIA, the bill generally addresses this need. The costs of supervision must be within reasonable bounds. The SIA representatives on the panel of experts will thus do all they can to push through these points. The SIA will play a very active role in further negotiations and thus make sure that the act addresses the legitimate concerns of the insurance industry.

Successful implementation of the Swiss Solvency Test

The Insurance Supervisory Act and its accompanying ordinance were enacted virtually without any problems. With the active assistance of the SIA, the commensurate FOPI guidelines were drawn up with insurance lines of business in mind. Nevertheless the SIA deems that too great a number of guidelines are scheduled for introduction.

The Swiss Solvency Test SST is proving to be a viable solution for the industry that was made possible by the highly active participation of our member companies who created and tested it. Fortunately, the SST has earned considerable international recognition, which

implies that it is also having indirect effects on the EU's Solvency II Directive. The SIA will advocate that the VAG not be overregulated with too many additional guidelines but that guidelines be kept to the number necessary to serve the interests of a free market.

Great satisfaction with natural perils insurance

Amendments to natural perils insurance have been long in the making. The motions made by the SIA were approved, with the result that premiums and deductibles were adjusted to reflect current conditions. Communication on this subject succeeded in convincing the population that the Swiss natural perils insurance model was one of the best in the world. Surveys also confirm that the public were highly satisfied with the handling of the claims resulting from the 2005 storms.

Earthquake insurance customised to the needs of the market

The SIA is currently working with the cantonal building insurance institutions and the FOPI on developing an insurance solution for earthquakes applicable throughout Switzerland. Skilful negotiation and persistence on the part of the SIA persuaded the cantonal building insurance institutions to get involved.

The SIA's aim is to complete all the preparatory work for the introduction of earthquake insurance by the end of 2007. By this date the individual cantons should have passed resolutions on the cover, thereby clearing the way for the definitive introduction of earthquake insurance on 1 January 2009.

FORUM@insurance – a first-class information platform

Prevention is not only an aim firmly anchored in the SIA's mission statement but also something which our association actively acts upon. Our association has an accident and loss prevention strategy and adopts a multi-year approach to planning. We laid down the first seeds of our health and loss prevention strategy at the highly-regarded FORUM@insurance conference held on the subject of natural catastrophes in Switzerland in which Federal Councillor Moritz Leuenberger participated. A second conference was dedicated to the subject of the growing "disablement" of our society.

We continually realise the aims laid down in our multi-year planning. These include the extension of our co-operation with other organisations, specifically with the Federal Office for the Environment, Forests and Countryside (BUWAL). Our aim is to thin out the regulatory jungle and increase the number of voluntary prevention measures.

The SIA is perceived favourably

The SIA is again being perceived as being substantially stronger and more positive. The reason for this lies among other things in the tremendous expansion of our communication activities and the implementation of the following measures: increasing the number of media conferences and media releases; conducting seminars for journalists; publishing journals such as "Positions of the Swiss Insurance Industry" and other publications.

Enhanced internal communication

Communication was also enhanced inside our association. The extranet, the SIA's electronic information and work platform, has found a firm place with a number of expert committees. Issue Management, too, was refined further and is meant to help our member companies to identify and assess the opportunities and risks involved in their own communication.

But the SIA will not rest on its laurels. We will continue to expand our communication activities. One goal is to implement the measures laid down in our campaigning concept.

Expansion of network in Europe

The Swiss insurance industry made further progress in raising its profile in an international context, which is attributable in part to the SIA's expansion of its network in Europe. These efforts were supported by a number of communication activities, one of which was the highly successful Swiss Insurance Day in Brussels in October 2006. The impartiality of the Swiss insurance supervisory authority earned it some key successes: Italy, for example, formally recognised Switzerland as the lead supervisor for the Helvetia Group.

Switzerland as lead supervisor

Having Switzerland recognised as the lead supervisor for – possibly all – Swiss insurance groups continues to be assigned top priority in 2007. This was one of the reasons for the SIA's organisation of an event with representatives from the German government and parliament in March 2007. As Germany held the EU presidency in the first half of 2006, the SIA seized the opportunity to present the needs of the Swiss insurance industry in Berlin.

The Swiss Insurance Association (SIA) will hold another Swiss Insurance Day in Brussels in autumn 2007. It also plans to conduct in-depth talks with top EU officials.

New course adopted in basic and advanced education and training

One of the SIA's key strategic objectives is to update its basic and advanced education and training offerings. At its meeting of 17 January 2007, the Board approved the association's investment in its new advanced education and training model. Overall, spread across the years 2007 to 2010, the cost will amount to CHF 6.6 million. The insurance industry, specifically the VBV Insurance Industry Vocational Training Association, will work in collaboration with AKAD Business.

Modern training offerings created

The project also involved the revision of the tried and tested Federal Insurance Certificate to bring it into line with modern business needs. This modular type of training, which people can do in their free time, takes one and a half to two years. The courses are held in three languages in a number of schools in various locations. The Insurance Management School HFV is also scheduled for launch. Courses will be offered in Zurich and Lausanne which people can attend alongside their normal occupations and last three years.

Lucius Dürri, CEO

Brisk activity on the legislative front

The guidelines are being drawn up as part of the revision of the VAG/AVO. | New VVG: Balancing act between consumer protection and freedom of contract. | Supervisory authorities and insurers enter new terrain with the Swiss Solvency Test. | 8,400 insurance intermediaries already registered. | The project organisation for the new financial market supervisory authority is in place.

VAG/AVO – content of the guidelines

The new VAG/AVO continued to be high on the agenda of Swiss insurers in the 2006 business year, with work no longer being on time-consuming revision but on collaborating with the FOPI on the duties delegated during the revision. One of these was the compilation of numerous guidelines. Below is a list of some of the existing guidelines along with those that are in the pipeline (see box).

VAG/AVO guidelines

- Requirements to be met by the Responsible Actuary (RA)
- Application of the new investment guidelines
- Guideline on internal audits
- Guideline on the recognition of external audit offices and lead auditors
- Guideline on the test on tied assets conducted by the external auditor
- Guideline on insurers' duty to disclose all events of relevance for supervision purposes
- Guideline on corporate governance, risk management and the system of internal controls
- Guidelines on groups and conglomerates; specifically: the organisation, group structure, group-internal processes, calculation of the solvency margin at consolidated financial reporting level

Further guidelines also exist such as those pertaining to the requirements made of the business plan and those pertaining to internal models and corporate effects in planning. The SIA always presented its views to the supervisory authority when given the chance, although its involvement was not always as extensive as it would have liked. The SIA will continue to follow closely the ongoing elaboration of the guidelines in order to avoid

any overregulation. This means that it will continue to carefully pursue its work in the lead-up to the new supervisory law and ordinance in 2007.

Insurance Contracts Act

The Insurance Contracts Act has been in effect since 1 January 1910, ie for nearly one hundred years. During this time the insurance industry has undergone considerable change in response to developments on the economic, societal and legal fronts. The globalisation of insurance business, new forms of marketing or the change in perception of what constitutes consumer protection are cases in point. It goes without saying that the VVG must be brought into line with these changes.

Amendment to the VVG now in force | The amendment to the VVG that entered into force on 1 January 2006 already addresses some central consumer concerns. Parallel to the amendment, in February 2003 the then Federal Department of Justice and Police (FDJP) appointed an expert commission to draw up a first draft of a fully revised Insurance Contracts Act. The expert commission submitted their first draft, accompanied by a report, to the Federal Department of Finance (FDF) and the FOPI in early August. In September 2006 the FDF published the preliminary draft on its website www.efd.admin.ch and gave the FOPI the mandate to use this as the basis to draft a bill by the end of 2007.

The content is of central importance | The VVG regulates the contractual relationships between the insurer and the client, thereby making its content of central importance to the insurance industry. The SIA will therefore monitor the formulation of the new VVG and its passage through the supervisory authority and parliament and make sure that the interests of the insurers

are taken into account in this process. This is not the first balancing act that the SIA has had to master between consumer protection and freedom of contract. Given the abstract nature and legal complexity of the “insurance” product, protecting insurance consumers is unquestionably of crucial importance. At the same time, the principle of freedom of contract must be respected and economic considerations taken into account. The revised provisions must not be allowed to lead to disproportionately complicated administration and consequently to inflated costs that, at the end of the day, have to be passed on in the form of higher premiums.

Swiss Solvency Test (SST)

The backbone of risk-based supervision, the Swiss Solvency Test (SST), is now entering the end phase of its two-year transitional period. As reported in last year’s report, many insurers took part in the SST field tests in 2006, participation being obligatory for the big insurers. The tests served to address the aspects of feasibility and practicability, the amount of available capital and the target capital required to cover a company’s risks. Although they have until 2011 to build up their target capital, it is imperative that insurers make themselves familiar with the new measuring methods in advance. They can choose whether to use the standard models for market risk, credit risk and underwriting risks for life and for property and casualty insurers developed by the FOPI in collaboration with the insurance industry or to calibrate the models to their own needs. The SST only establishes a set of principles for calculating the two parameters at the core of the module – available capital and target capital – which must be adhered to.

Defining and drawing up scenarios | Special attention was paid in the 2006 field tests to defining and evaluating scenarios. Insurers subject to corporate supervision and reinsurers must work closely with the supervisory authority on developing internal models that will deliver the SST results from 2008. In these cases, it is self evident that the standard module is unable to reproduce their risk profiles sufficiently accurately. But life insurers also face the challenge of adapting the model to their needs by the end of the transitional period to quantify actuarial reserves that are “right” according to economic principles – a far from easy undertaking given

the many options embedded in their products. The FOPI expected to be presented with a solution to the problem by insurers during the field test in 2006. The FOPI will publish some evaluations that will be rendered anonymous during the course of this year. You can find these on their website www.bpv.admin.ch.

Launch to take place as early as next year | The SST will become legally binding as early as next year and will apply to all insurers who fall under the supervision of the FOPI – irrespective of whether they are a major reinsurer or small health insurer within the meaning of the Federal Health Insurance Act that operates in the field of supplementary health insurance. All pending issues must be clarified and resolved in time for the launch. As already reported last year, the SIA is working closely with the supervisory authority to ensure that this mandate is carried out in a manner that is satisfactory for all involved.

Results of the SST field tests

Some evaluations from the field tests will be published in anonymous form by the FOPI during the course of this year. You can find these on their website www.bpv.admin.ch

Three-pillar system | The following governing principle will undoubtedly be of an advantageous nature. A modern supervisory system is characterised by a carefully balanced three-pillar system such as the one used in the Basel II regulations for banks or in the Solvency II regulations for the insurance industry scheduled for introduction in the European Union. Pillar 1 stands for technical provisions and capital adequacy requirements; pillar 2 stands for further organisational requirements as regards risk management and the system of internal controls and defines the supervisory review process; pillar 3 defines the disclosure obligations and by way of market transparency ensures the necessary market discipline. The characteristics of each of the three pillars must be fine tuned so as to guarantee as efficient a supervisory system as possible that protects insurers from insolvency.

High standards of accountability | While the first pillar regulates elements of a quantitative nature, the second pillar mainly addresses qualitative matters. The quality of the capital adequacy calculation is namely only as good as the internal control mechanisms an insurer has in place and the structure of its risk management framework (especially with regard to organisation, governance and quality of staff). This is the very point targeted by qualitative supervision, which tests the proper functioning of this framework. A company's attitude to its own accountability plays a cardinal role in this respect. Certain principles laid down by the supervisory authority are indispensable and ultimately serve to ensure legal certainty in supervisory practice.

New system to be introduced gradually | Now it is a question of gradually putting the risk-based, forward-looking SST into legal practice. What may possibly appear self-evident to readers is actually a not-to-be-underestimated endeavour for all those involved. Solvency, ie the question as to the probability of the company becoming insolvent – or, expressed in a different way – the question as to the degree of certainty that a company can meet its obligations at all times – is being given, so to speak, a new system of measurement. It is just like casually switching from degrees Celsius to degrees Fahrenheit or like introducing a completely new unit of measurement for temperatures. Both parties, the insurance industry and supervisory authority, are entering new terrain in this respect. Particularly when compared to the procedure envisaged for Solvency II, it is a major advantage that this system is being introduced gradually and in stages.

Insurance intermediaries

As outlined in last year's annual report, insurance intermediaries have been subject to federal supervision since the new Insurance Supervisory Act entered into effect on 1 January 2006. The core element of the new regulation is, in addition to more stringent information obligations vis-à-vis policyholders, the creation of a central register of insurance intermediaries. Inscription in the register is mandatory for intermediaries who are not tied to an insurance companies (brokers), irrespective of whether they are legal or natural persons. All other insurance intermediaries (insurance agents) have the right to be entered in the register.

8400 inscriptions reported | During the course of 2006, the FOPI reported a far greater number of inscriptions than had been anticipated, their estimations having been in the range of 5,000 – 6,000: by November 2006 the register already contained 8,400 inscriptions. This is attributable to the voluntary registration of many tied intermediaries.

Experience shows that the SIA's fears of double entries were justified. The draft VVG, the version of which is not yet available, tackles this problem. The official draft of the bill is still being revised by the FOPI. Only time will tell whether the practical considerations and concerns of the SIA will actually be incorporated into the bill. The Insurance Industry Vocational Training association (VBV), which was given the mandate by the FOPI to implement qualification measures for the intermediaries, got off to a successful start in 2006 with its training programmes. These are based on the "Examination regulations for the award of a professional qualification for insurance intermediaries" issued by the FOPI in keeping with the provisions of the Insurance Supervisory Act (VAG) and accompanying ordinance (AVO).

Insurance intermediary supervision on the Internet

You can find more information at www.vermittleraufsicht.ch

Financial market supervision

With the issue of its report and positional statement on FINMAG, the Federal Council on 1 February 2006 set the stage for the amalgamation of the state supervisory authority for banks, insurance companies and other financial intermediaries into one body, FINMA. The following are the most essential features of the new act: FINMA will take the form of a public body and be operationally, institutionally and financially autonomous. Its management will comprise a board of directors, a board of management and an auditing unit. The bill also contains organisational regulations on the body's liability and the harmonisation of supervisory instruments. It is a matter of importance for the insurance industry that the supervisory body should have dedicated specialist banking and insurance arms to enable it to continue to handle matters of a specifically banking or insurance nature in a competent manner. FINMAG has been addressed by the National Council as the first instance. The act is expected to enter into effect on 1 January 2008 at the latest.

Project organisation in place | Based on the report and position paper on FINMAG, a project organisation was established under the auspices of the chairman of the FBC, which was composed of a steering committee and four project areas. FINMA is intended to be an authority under public law with its own legal personality and headquarters in Bern. It is meant to provide prompt yet high-quality ongoing supervision and work professionally and efficiently to produce credible results. The steering committee is the highest decision-making body in the project organisation. The project areas are broken down as follows: organisational integration, operational and technical integration, legal aspects, corporate identity and communication.

Position of the SIA on financial market supervision

Under www.svv.ch (Politik und Recht) you can find the SIA's response (in German and French) as part of the consultation procedure to the first and second reports submitted by the Zimmerli Expert Commission. There you can also find an explanation of the SIA's stance on various aspects of the new financial market supervisory regime.

Occupational pension provision must be sustainable and the revision of the Accident Insurance Act is now under way

The BVG conversion rate must be lowered further. | The proposals made for structural reform in the BVG fall short of the mark. | New input to the 11th AHV revision approved. | IV deficit running into the billions. | New model for financing long-term care. | Two bills submitted for consultation as part of the UVG revision. |

Occupational pension provision

Transparency | In 2006 the FOPI for the first time published separate annual accounts for group occupational pension plans in each insurer's books. The aim was to provide an overview of results of business subject to the minimum quota in the areas of savings, risk and costs and thus gain a picture of overall group occupational pensions business. It emerged that life insurers had made clear progress in the areas of investment and management of risk. Costs, in contrast, remain in the red.

The minimum dividend rate, costs and reported earnings gave cause for debate. However, the Federal Council made it unmistakably clear that the allegation that the interpretation of the purpose of the minimum dividend rate did not correspond with what parliament intended was wholly unfounded. Indeed, parliament had decided on the minimum dividend rate in explicit knowledge of the provisions laid down in the ordinance.

The attacks on the implementation of the provisions as they relate to the minimum dividend rate were closely related to the debate about the more rapid reduction in the conversion rate in the occupational pensions area.

Package of provisions laid down in the ordinance | The third and final package of provisions on the 1st BVG revision entered into effect on 1 January 2006. They contain the so-called "purpose" article with provisions on adequacy and dependability of occupational pension provision via insurance and on early retirement.

As soon as these provisions entered into effect it was already obvious that the 1st BVG revision had on numerous counts not attained its objective of lending stability to occupational pension provision. There was an urgent need to revise several points.

Conversion rate | There is an obvious need to take action on the issue of the conversion rate. Given the persistently low bond rates it soon became evident that the scheduled reduction in the conversion rate to 6.8% in 2014 did not sufficiently take account of the change in conditions stemming from increasing longevity and low interest rates. Based on a motion, an expert commission appointed by the FSIO compiled a report to establish the principles to be used for comparing the period tables used by autonomous pension fund institutions with the generation tables used by life insurers. The report also contained guidelines to be observed when setting the technical interest rate.

More rapid reduction in the minimum conversion rate necessary | In this report the expert commission came to the conclusion that a more rapid reduction in the minimum conversion rate was necessary and submitted three alternatives for debate (6.4%, 6.15% and 6.0%, respectively, to be achieved in four steps as of 2008). The expert commission did not consider compensation measures to be necessary from today's standpoint as the target benefit could be reached despite the reduction in the conversion rate.

In January 2006 the Federal Council subsequently commissioned the FDHA to initiate a consultation procedure to debate three alternative ways of bringing about a more rapid reduction in the minimum conversion rate. Whereas, among the three proposed alternatives, the SIA spoke out in favour of a rate of 6%, most of the other participants in the consultation procedures preferred a rate of 6.4%. This was particularly since the left-wing parties and unions did not consider a more rapid reduction necessary.

The bill had not been discussed in the predeliberative parliamentary commission by the editorial deadline of this report.

Minimum interest rate | The BVG prescribes that the Federal Council review the minimum interest rate at least every two years. Following prior consultation with the social partners on the basis of a report drawn up by the FDHA, the Federal Council left the minimum interest rate at 2.5 % for 2007. In doing so the Council made allowance for the fact that although stock markets had performed well in 2005 in terms of the formula laid down in the BVG, the financial circumstances of a number of pension fund facilities would not permit an increase in the minimum interest rate. The SIA welcomed the Federal Council's decision. Even in the continued absence of a defined formula upon which to base the calculation, the Federal Council's decision shows that the government will base its setting of the rate on conservative assumptions and bear the stability of the overall system in mind.

Structural reform of occupational pensions

The deficiencies in the supervision of occupational pensions had led to the appointment of an expert commission to draw up proposals for structural reform. The report was published in March 2006. In addition to restructuring the supervisory mandate, it contained specific suggestions on how to structure technical parameters in the occupational pension area.

The bill which the Federal Council submitted for the consultation phase in July 2006 was essentially based on the main conclusions reached by the expert report and aimed primarily at strengthening supervision and oversight by regionalising direct supervision and creating a federal oversight commission.

Many of those involved in the consultation procedure found the proposals fell short of the mark, the SIA included. While considering a reform in supervisory legislation to be urgent and the proposals not far-reaching enough, the SIA found the general thrust of the bill to be correct. The SIA would have preferred prudent supervision of the second pillar and considers integrating an oversight authority into the future FINMA to be feasible.

Information on the BVG

You can find details of the SIA's position (in German and French) on various issues connected to occupational pensions and the replies provided during the consultation process at www.svv.ch (under Politik und Recht).

Tax treatment of occupational pension plans

On 1 January 2006 the Federal Council enacted the amendments to the Ordinance on the Supervision and Registration of Pension Plans BVV2. These related to implementing regulations of a fiscal nature. During the course of the year the FSIO adopted its stance in a series of communications and provided more details of the form the legal norms would take. The SIA advocated that solutions be elaborated which take the circumstances of the collective foundations into due consideration.

11th AHV revision

Following the population's rejection of the original 11th AHV revision in 2004, the Federal Council issued new drafts at the end of December 2005 and submitted two bills to parliament.

Retirement age of 65 for women | The first draft is on raising the retirement age to 65 for women and introducing a standard AHV retirement age for men and on the elaboration of the current regulations on early and deferred pension withdrawals. The draft also prescribes improvements to the insurance process. The second draft introduces a pre-retirement pension for certain groups.

Securing the AHV | According to calculations by the Federal Council, the two drafts together will relieve the AHV of an average burden of CHF 341 million per year between 2009 and 2020. The aim is to maintain financial equilibrium in the AHV over the short term. The bills constitute a first stage in the comprehensive reform of the AHV at the centre of which is the fundamental 12th AHV revision aimed at securing the long-term financial security of the AHV.

Initiative for a flexible AHV age rejected | In its draft and positional paper at the end of December 2006 the Federal Council rejected without a direct counter proposal the popular initiative "for a flexible AHV age" put forward by the Swiss Federation of Trade Unions. The initiative calls for people earning up to CHF 119,340 to be entitled to the full AHV pension upon retiring at the age of 62. The Federal Council was of the opinion that accepting the initiative would result in a general decline in the retirement age. The people who would stand most to benefit from a lower retirement age would be those who were not financially dependent on it. The Federal Council rejected such a reduction in the retirement age as it flew in the face of demographic trends and the general tendency towards raising retirement ages in Europe and would place an intolerably high financial burden on the first pillar.

5th IV revision

In light of the high CHF 8 billion deficit run up by the disability insurance scheme (IV), reform has been assigned top priority by the Federal Council and parliament. The 5th IV reform envisages that disability benefit beneficiaries be encouraged to remain in the labour market: while making it more difficult for people to access a disability pension. Stepped up efforts to reintegrate the disabled into the working world in combination with specific savings measures are designed to reduce the IV's billion franc deficit. Some organisations for the handicapped and left-wing circles have called for a referendum to vote against the revision. The revision will be put to the vote on 17 June 2007.

Draft bill on supplementary financing | The measures of the 5th IV revision do not suffice to prevent the IV from running up an annual deficit and to curtail its mushrooming debt, which is already running into the billions. For this reason the Federal Council submitted with its 5th IV revision a draft on the supplementary financing of the IV. The two drafts were separated in parliament, where they are currently still being debated. The Committee for Social Security and Health in the National Council suggested raising the value-added-tax rate proportionately for seven years to replenish the IV's coffers.

Integrated health insurance

After health insurers Helsana, CSS, Groupe Mutuel, Visana and Sanitas joined the SIA, collaboration at all levels of the association started and two working groups were formed (on health insurance and medical fees); collaboration has entered into the operational phase. The SIA will dedicate itself primarily to private health insurers, namely to providers of supplementary health insurance. The focus for 2007 will be on preliminary work on the revision of the Insurance Contracts Act (Art 101–106 VE-VVG).

KVG revision | After the failed passage of the 2nd KVG revision through the 2003 parliamentary winter session, the Federal Council decided on 25 February 2004 to embed those aspects of the revision that had gone largely

uncontested into a comprehensive strategy. By doing so, it aims to submit two legislation packages to parliament for debate which contain bills that are independent of each other.

New model for financing long-term care | The private health insurance system is struggling to cope with rocketing costs. The share of costs swallowed up by the care sector grew by a disproportionate 60% between 1998 and 2005. With view to easing the burden on the solidarity of insureds, the new model for financing long-term care must aim at stabilising costs over the medium term. One possible solution was a motion submitted by member of the Upper Chamber Erika Forster to finance the care of the aged by introducing a Pillar 3c.

National eHealth strategy | The FDHA submitted its report for a national eHealth strategy to the Federal Council on 15 December 2006. Stakeholders had until the end of March 2007 to take part in a public hearing by the Federal Office of Public Health. Based on the results of the consultation process the Federal Council will decide on how to proceed further. The strategy aims at facilitating access to a high-quality, efficient, safe and reasonably priced health system.

No to a single health insurer | The SIA is against the introduction of a single health insurer in the area of compulsory health insurance. This weakens competition without resolving the cost issue and would take away the insureds' freedom of choice.

UVG revision under way

The year under review witnessed no notable amendments to this legislation. Efforts were concentrated on preparatory work for the upcoming revision of the Accident Insurance Act. On 29 November 2006 the Federal Council commissioned the FDHA to initiate the consultation process on the revision of the UVG. Two draft bills, which can be debated and enacted independently of each other, were submitted for consultation.

Draft bill I | contains adjustments to the law to bring it into line with a modern-day compulsory insurance system. Private insurers consider it important to create conditions conducive to competition to introduce company-specific premium rates. Also urgent is the planned introduction of an aggregate limit on the liability of UVG insurers in large loss events and the clarification of the remit of the Swiss Accident Insurance (SUVA).

Draft bill II | relates mainly to the organisation of the SUVA with a major focus on improving corporate governance. There are also plans of a problematic nature to expand SUVA's business into other fields, namely into the asset management area.

SIA member companies are reliable partners

Life insurers are an indispensable and important mainstay of occupational pension provision. In fact 1.83 million insureds count on them. Swiss life insurers insure one in two of the gainfully employed against the risks of disability and death while working or on the way to work. Survivors' pensions guarantee that dependents are also provided for in the event of the insured's death. In addition, life insurers guarantee the safe accumulation of retirement pension assets, which are paid out at retirement for as long as the insured lives. Life insurers administer in excess of CHF 120 billion in assets for their customers.

The following pictures were taken in March of this year of the Säntis cable railway, which runs from the Schwägalp to the summit of the Säntis. Säntis-Schwebbahn AG and its three restaurants is one of 156,000 companies whose occupational pensions are insured with a member of the SIA.



Safety first: *The Säntis cable railway operations centre.*



Trust: *You need to rely on your mate when doing maintenance on a pylon.*



Far-sighted: *The panorama-restaurant on the summit of Mount Säntis is a unique place to work.*



Perspective: *It is crucial to know which way the wind is blowing, not only on the summit of Mount Säntis.*

















Corporate Tax Reform II on track; plans to standardise the code of civil procedure

Rapid decisions desired on Corporate Tax Reform II. | Work starts on the total overhaul of the Value-Added-Tax Act. | The new corporation law is designed to maintain entrepreneurial freedom. | A standardised code of civil procedure to replace the current 26 cantonal civil process acts.

Corporate Tax Reform II

Parliamentary deliberations on Corporate Tax Reform II continued, with the conclusion of the debate on indirect partial liquidation and the transfers of assets that had been separated from the original draft bill. These items were objectified and adopted into the Federal Act on Direct Federal Tax and the Federal Tax Harmonisation Act. The Federal Tax Administration submitted its response to the new norms in the form of a draft in Circular No 14, which still requires some streamlining if the general consensus from industry is anything to go by.

Rapid decisions desired | The Economy and Levies Commission of the Council of States decided to also remove the issue of quasi-securities trading from the bill and to pursue it separately. From the point of view of the insurance industry, it is essential that parliament rapidly conclude its debate on the remaining reform elements so as to enable the targeted tax relief to quickly provide the economy with some growth impetus.

Revision of Value-Added Tax Act

In late autumn 2005 Federal Councillor Hans-Rudolf Merz commissioned independent tax expert Peter Spori to compile a report on VAT reform, with the aim of introducing an “ideal” VAT rate. Mr Spori published his report on 12 May 2006, which indicated that introducing a financially ideal VAT rate for the insurance sector would be extremely difficult. However, from the practical point of view the government still has other avenues via which it can reduce insurers’ tax oculte, one option being to expand the scope of exclusions to include certain purchases of goods and services.

Full revision started | On 1 July 2006 the Federal Council brought into effect a number of amendments to the Ordinance on the VAT Act (MWSTG) with the aim of reducing the red tape. The FDF started working on a full revision of the MWSTG in the second half of 2006 and submitted a draft bill for consultation in February 2007. In the previous year the SIA worked intensively on the subject of VAT in the insurance industry and contributed its stance in a number of talks with stakeholders. The SIA welcomes the efforts on the part of government to improve the VAT system in an expedient manner.

Antitrust law

On 8 September 2006 the Competition Commission informed the SIA that it had decided against passing an antitrust resolution applicable to the insurance industry as it had been unable to develop sufficient experience in the field of insurance to be able to establish what was permissible from the antitrust point of view. The results of the business insurance sector enquiry carried out by the EU Competition Commission are still outstanding (see page 36).

Non-published cases on the Internet | In response to the insurance industry’s need for more legal clarity, the Competition Commission will publish all previously non-published cases relating to the insurance industry under Competition Law and Policy on its Internet site www.weko.admin.ch

Information on non-published cases dealt with by the Competition Commission

The Competition Commission will publish all previously non-published cases that it has dealt with that relate to the insurance industry on its website: www.weko.admin.ch (Publications: "Competition Law and Policy").

Data Protection Act

Processing personal data is elementary to the insurance industry. The applicable data privacy law is enshrined in the Federal Data Protection Act (DSG) and the associated ordinance (VDSG), both of which have been in force since 1 July 1993. In its 2006 spring session parliament enacted a revision of the DSG at the centre of which was the reinforcement of the principle of transparency. This is nothing new as the principle of good faith enshrined in the current DSG implies that it must be clear to the data owners how and where their private data are being processed. The primary aim of the revision was to reinforce this principle by introducing explicit transparency regulations – such as the new obligation requiring data collectors to inform individuals when they gather data and draw up personality profiles of a particularly sensitive nature.

Amendment to Article 12 | Another key feature of the revision was the amendment of Art 12 para 2 lit a of the DSG, which relates to the principles laid down by the DSG that are to be observed when processing data such as the principles of accuracy and appropriateness. This amendment gave rise to debate about the future relevance of stating reasons to justify collecting data, which prompted the FDJP to draw up an interpretation aid on the amendment to Art 12 para 2 lit a of the DSG.

If no calls for a referendum are received by the deadline for calls, the Federal Council will enact the DSG as soon as the administration has all the appropriate measures in place for its implementation. This includes in particular an amendment to the VDSG and the issue of a new ordinance on data protection certification. The written consultation procedures on this draft ordinance will probably be initiated during the course of spring 2007.

Federal Act on Export Risk Insurance passed

Swiss export risk insurance replaced the Swiss export risk guarantee on 1 January 2007 following parliament's passing on 16 December 2005 of the new Federal Export Risk Insurance Act (SERVG).

The SERVГ and its accompanying ordinance supersede the current Federal Act on Export Risk Guarantees.

The government insures exporters | At the core of the new act is the expansion of the government's insurance activities. Since 1 January 2007 the government has been authorised to insure exporters against payment defaults by private purchasers (private purchaser risk). At the same time the existing federal fund was transformed into a public-law institution with a separate legal entity on 1 January 2007.

Adherence to the principle of subsidiarity | Expanding the federal government's activities in this area addresses a concern of the Swiss machinery and equipment industry. The importance of a strong export sector is beyond question. At the same time, this expansion of the government's role also affects the Swiss private insurers that cover export credit risk. One of the SIA's key aims is thus to ensure that the principle of subsidiarity is adhered to in practice, ie that the state insures only those risks that cannot find cover in the market.

New annual payroll statement

Open questions in relation to fringe benefits, particularly premium discounts on insurance policies issued to staff working for insurance companies, were addressed by the Finance Directorate Conference during the course of 2006. A general solution was found for the issues in question.

Liability law

In the year under review, responses and positions were submitted to the consultation process on the Reservoir, Pipeline and Railway Acts, the Federal Act on Alpine Guides, the provision of Commercial Risk Activities and the Zurich Dog Act. The legislative trend towards more stringent liability and the introduction of compulsory insurance is unrelenting. In response to all these drafts, the SIA called for insurable solutions to be found that do not involve insurers in public administration, do not cause unnecessary expense and do not unduly limit the insurer's freedom of product design.

Company and accounting law

In December 2005 the Federal Council submitted for consultation a draft bill for the revision of company and accounting law in the Code of Obligations. This revision was also an important issue for the SIA, which created a project group to draw up a detailed response as part of the consultation procedure. The bill essentially had the following four main objectives: enhancing corporate governance; introducing new regulations on capital structures; updating the regulations applicable to general meetings; and introducing new accounting regulations.

No restriction on entrepreneurial freedom | During the consultation procedure the SIA welcomed the idea of more flexible capital structures as it provides companies with more freedom of action. The draft did, however, provide grounds for criticism as numerous measures went too far in some areas. This is because some of the measures would restrict Swiss companies' freedom of action and place them at a disadvantage to their international competitors. These measures include in-

terference in important corporate decisions or organisational questions.

The more stringent demands in the corporate governance area were also found excessive by the SIA as the Swiss insurance industry maintains good corporate governance standards and strives to meet these requirements. The concept should not be used to limit entrepreneurial freedom. One aspect of the draft that gave the most cause for concern was the stipulation that taxes be offset in future under commercial law, which would have the effect of sorely undermining the financial-accounting-leads-tax principle.

Bearer shares remain intact | In February 2007 the Federal Council acknowledged the results of the consultation process and gave the FDJP the task of drawing up a bill by the end of the year. The main revelations of the results of the consultation process were that the more than 100 participants judged the bill to be good, albeit recommending that a few central points be revised further. Although it is not yet foreseeable what form the revised version will take, the Federal Council has already established a number of points. It is already clear at this stage that the Federal Council has decided against abolishing bearer shares in light of fierce opposition to the move. The Federal Council also concluded that the provision, likewise criticised by the SIA, aiming at reflecting offset taxes in the balance sheet also needed to be revised, which came as very welcome news to the SIA.

Information on company and accounting law

You can find the SIA's response as part of the consultation procedure at www.svv.ch (under Politik und Recht, Aktienrecht). There you can also find a link to the FDJP dossier on the subject and to a summary of the results of the consultation procedures.

Revision of tenancy law in the Swiss Code of Obligations

On 2 December 2005 the Federal Council initiated the consultation process on the drafting of an amendment to tenancy law in the Code of Obligations. The amendment that was sent into the consultation process aims at regulating the components of the rental price. The draft proposed introducing a dual system which allows the contract parties to choose between an index model or a rental cost model.

Ordinances on rental and leasing agreements revised

| The deadline for the consultation process was 31 March 2006. As insurance companies number among the biggest property owners, the SIA took a particular interest in participating in the consultation procedure for this revision. The details proved so controversial that they prompted the Federal Council's decision in September 2006 not to go ahead with the revision at legislative level. As action needs now to be taken on the current ordinance on the rental and lease of residential and commercial premises (VMWG), the EVD has been commissioned to draw up a draft proposal for the revision.

Code of civil procedure

Each canton currently has its own laws on civil procedure. The enactment of a Switzerland-wide code of civil procedure aims to deal with this legal fragmentation and replace the current 26 codes with one standard code. The Federal Council issued its report and positional statement on a Federal Code of Civil Procedure in June 2006. The Council of States discussed the draft in the first instance. Its Committee for Legal Affairs started a preliminary debate of the draft in January 2007.

The SIA welcomes the standardisation of laws on civil procedure. However, it criticises the introduction of indiscriminate collective class actions in the private sector, arguing that current procedural law and the future Federal Code of Civil Procedure already envisaged numerous ways for consumers to pursue their rights in civil suits; in particular by providing legal venues, no-cost litigation in some cases and obliging judges to investigate and cross-examine claims.

Solvency II and Rome I – two widely debated issues in Brussels

Solvency II is a project of crucial importance for the insurance industry. | IFRS on hold. | Conference in Stuttgart on harmonising European contract law. | Rome I – a convention on international contract law.

Solvency II on course – lobbying has started

The Solvency II project is on course. After the Committee of European Insurance and Occupational Pensions Supervisors CEIOPS published its report on the results of the second Quantitative Impact Study QIS (the counterpart to the SST field test), additional details that couldn't be taken into account in QIS2 were clarified in five further consultation papers. The technical specifications for the third Quantitative Impact Study (QIS 3) have been drawn up. The study started at the beginning of April and will run until the end of May.

Demanding nature of QIS 3 | Similar to its predecessors, QIS 3 makes enormous demands of insurers' internal project management, tying up management resources that are urgently needed for companies' daily business. Some big insurers have set up project units especially to coordinate their efforts in the various countries in which they operate. Nevertheless, the fact that a large number of companies – ranging from SMEs to multinationals such as AXA, Allianz and Swiss Re – have apparently consented to take part in the study is testimony to the importance attributed to it by the insurance industry.

Under one roof | The Level I Framework Directive is expected in June 2007 as planned. However, there will hardly be enough time to take due account in the Directive of the findings from QIS 3. Nevertheless, essential components of Solvency II are expected to be included. Whether they are or not, the Framework Directive will bring under one roof many detailed provisions for different insurance lines that are currently to be found in separate guidelines.

Extremely important for Switzerland | Given its non-membership of the EU, it is vital for Switzerland to

have a sound grasp of the legislation process if it is to have an influence on the political intent and content of the project and at least ensure that the major components are consistent with the SST. Legislation is being drawn up according to the so-called Lamfalussy process, which establishes and implements the provisions in directives and regulations at four levels. At the first level, the legislation is of a general nature and is applicable to all countries. The framework directive is at this level. The transitional provisions will be transposed into national law (and thus subject to national supervision) at the lower levels of the Lamfalussy process. It is therefore of fundamental importance to harmonise the implementation process and the future supervisory practice as far as possible.

An extremely complex matter | It goes without saying that harmonisation with the numerous interest groups throughout the EU is an extremely complex matter. It is imperative that the influences going into the legislation process are made as transparent as possible. This will make it possible for the highly diverse interest groups to take advantage of their right to a hearing while ensuring that the process is widely accepted across Europe.

Follow developments attentively | Compared to the procedure in Switzerland, implementation will obviously take more time; but given its complexity there is nothing much that can be done to speed it up. On the other hand, Switzerland cannot afford to rest on its laurels – it has to monitor developments and be able to react rapidly and specifically when confronted by important issues. This also serves to increase the complexity of the transposition of the new supervisory law into practice in Switzerland, since individual provisions have to be constantly reassessed in the light of developments in Europe.

IFRS on hold

After the CFO Forum published the principles in its two documents “Elaborated Principles for an IFRS Phase II Insurance Accounting Model” and “Basis for Conclusion” in mid-March, a little calm returned to the IFRS front. One interesting aspect is that the underlying principles stem from an economic standpoint that is not unlike the risk-based view upon which Solvency II is based. This would make it possible, at least theoretically, to convert accounts drawn up according to IFRS II to Solvency II and vice versa using simple reconciliation rules, which would certainly result in major cost savings as corporate management would not need to maintain a parallel balance sheet to determine the company’s solvency under Solvency II. Having the CFO and CRO forums team up on this issue is to be viewed as a constructive step.

A global accounting standard targeted | This idea faces several obstacles, however. First, the two accounting systems serve different underlying purposes: IFRS II is geared towards drawing up the company’s financial statements, while Solvency II focuses on the risk factors on the company’s balance sheet. This difference in itself wouldn’t have posed any particular problem had it not been for one additional dimension in which the two approaches differ from each other: the fact that IASB is working towards a global accounting convention for insurers, while Solvency II is a European Union initiative. Second, precisely the reconciliation aspect is the most hotly debated point; the profit margin would be revealed, which would put pressure on disclosure practice. Insurers appear to be at odds as to the degree of transparency to which they want and ought to commit themselves.

The IASB discussion paper has been put on hold due to the technical debate about the valuation of technical provisions, which, in turn, has brought the entire timetable to a halt. The discussion paper is to be understood as the exposure draft in its preliminary stage and is now scheduled for publishing in the first quarter of 2007.

Websites for further information

CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors): www.ceiops.org

IASB (International Accounting Standards Board): www.iasb.org

CFO Forum of the European Insurance Industry: www.cfoforum.nl

Efforts made to harmonise European contract law

European harmonisation in insurance and general contract law has so far only addressed specific issues, generally relating to consumer protection. Two initiatives aim at introducing more extensive harmonisation to these areas of law.

Reference framework for general contract law | Since 1999 a private group of experts comprising professors from a number of European universities have been working on a “Restatement of European Insurance Contract Law.” The European Commission has been working on harmonisation of a more extensive nature and plans to draw up a common reference framework for the EU member states by the end of 2009. The framework will encompass provisions of general contract law and regulations on two types of contract: the purchase contract and the insurance contract.

Conference in Stuttgart | Since May 2005 a network of experts has been working on drafting this common reference framework. The experts working on the Restatement of European Insurance Contract Law were given the additional mandate to create a reference framework for insurance contract law. As Germany currently holds the Presidency of the Council of Europe, a conference was held in Stuttgart in March 2007. Further clarification on the progress of the framework is expected in a second progress report from the European Commission. The report is scheduled to be published at the end of 2007.

Expert group on the Internet

Under www.restatement.info the expert group provides detailed information of their ongoing work.

Safety nets for insurance company insolvencies

Not all EU member states have systems that safeguard policyholders against the insolvency of their insurer. The European Commission has been seeking for some years to harmonise safeguards in this area. In December 2006 the Commission gave an external management consultant the mandate to conduct a study. The study involves examining existing systems being used for life and non-life insurance in Europe, with the exception of motor insurance, and analysing the problems that result from the plurality of different systems. The study also aims at highlighting the various options of resolving the problems identified and examining their feasibility. The findings of the study, which are due to be presented by the end of 2007, will serve as the basis for the Commission to take further action in this area.

Rome I – a convention on international contract law

In 1980 the EU member states signed an agreement on international contract law called the Rome I Convention. This regulates the question as to which national law is applicable to an international contract such as an international insurance contract. After these regulations had been tried and tested in practice for 20 years, the European Commission decided to enshrine the convention in a regulation and update the rules. They published their draft regulation in December 2005.

Rome II | In the wake of this process new rules governing international insurance contracts are now under discussion. According to applicable legal practice, international insurance contracts are to be evaluated in the EU sometimes in accordance with the Rome I Convention and sometimes according to national norms drawn up on the basis of EU directives. This fragmentation makes the legal situation opaque and unsatisfactory. Parallel to the Rome I Regulation another regulation is being debated that aims to provide standard solutions for international conflicts of law concerning non-contractual third-party obligations (Rome II).

It has currently not yet been decided by which date the two regulations might be passed. Debates at the European Parliament and Council levels are still under way.

EU Competition Commission Sector Enquiry

On 24 January 2007 the EU Competition Commission published its interim report on its enquiry into the business insurance sector. It compares and in part questions the various forms of collaboration between insurers across lines and countries. The EU Competition Commission urged stakeholders to submit their positions and comments on the current findings before the final report is published, which is expected to be in September 2007.

New money laundering guidelines for the SIA's Self-Regulation Organisation (SRO-SIA)

Growth in the number of unit-linked insurance policies. | The fight against money laundering continues to be assigned top priority. | The new guidelines will be amended in the SRO-SIA by the end of 2007.

General

Premium income from life insurance continued to decline in the year under review. Although the 1.9% fall to some CHF 27 billion was considerably milder than the 7.1% decline recorded in the previous year.

Regular premiums unchanged | In individual life insurance premiums fell by 3.8% in 2006 to some CHF 7.7 billion and in group business by 1.1% to some CHF 19.3 billion. The type of premium payment influenced the trend in premium income, which showed virtually no change in regular premiums over 2005, while there was an approximate 2% reduction in premiums earned by group business.

Decline in single-premium business | Unlike regular premium business, single-premium business was hit extremely hard, which is attributable to a persistently very low interest rate environment and the influence of stamp tax. Single-premium income in the group insurance segment, in contrast, registered only a slight decline in 2006.

Individual insurance

The ongoing low interest rate environment in 2006 continued to have a dampening effect on new business. The low returns and – in individual single-premium business – the excessive erosion of returns by a stamp duty of 2.5% in an already low interest-rate environment put a damper on business.

However, performance in the individual life insurance segments varied by line. Whereas in the case of capital-sum insurance, income from insurance with regular premiums (1.8%) and single premiums (21.6%) was lower than in the previous year, and the share of annuity in-

surance in total business (8.7%) was lower, unit-linked insurance increased in both regular premium (5.6%) and single premium (2.8%) business. Over the last decade, premiums from unit-linked insurance have more than tripled, accounting today for more than a third of total premium income in the individual insurance segment.

Group insurance

Premium income from life insurers' group business continued to decline in 2006, due to sustained strong competition from autonomous collective foundations. Nevertheless, the downward trend in premium income has slowed appreciably. Viewed overall, the share of group business in total business continued to increase to more than 71%.

Money laundering and self-regulating organisation

EU | On 1 August 2006 the EU Commission issued measures for implementing the Third Money Laundering Directive of 25 November 2005. These regulate specifically which politically exposed persons (PEP) are classified as such and the fact that only foreigners and their dependents can fall under this category. What is more, a number of technical criteria were laid down for the application of simplified due diligence vis-à-vis certain clients, products and transactions. Member states have until 15 December 2007 to implement the Directive.

Federal level | The Federal Council has laid down the further steps to be taken in implementing the revised recommendation of the Financial Action Task Force

(FATF) with regard to combating money laundering and the financing of terrorism. The FDF has been commissioned to draw up a draft law by mid 2007. Unlike the draft subjected to the consultation process in January 2006, this one will be reduced to its most salient points. The SIA welcomes this step. Having robust and economically viable defence mechanisms in place is assigned high priority; now it is a question of exploiting the resulting leeway when implementing the international standards.

On the basis of the results of the FATF Mutual Examination Report of Switzerland 2005, the following measures in particular are to be included in the draft:

- Identification of the authorised agents of legal persons
- Identification of the type and purpose of the business relationship
- Extension of the non-disclosure obligation;
- Filing reports directly to the relevant authority pursuant to Art 305^{ter} of the Swiss Penal Code.

The SIA had the opportunity to present its stance on these amendments during the hearing.

Financial market supervision in Switzerland today essentially falls under the purview of the Federal Banking Commission (FBC), the Federal Office of Private Insurance (FOPI) and the Anti-Money-Laundering Control Authority (AMLA). In its report and positional paper on the Financial Market Supervisory Act (FINMAG) the Federal Council advocates the amalgamation of these three authorities. The SIA views these plans as positive. The National Council's Economy and Levies Commission has completed its work on the draft bill, which will be passed on to parliament in 2007 for debate.

The FOPI completed its revision of the Ordinance on the Combating of Money Laundering dated 30 August 1999. The revision takes account of the recommendations made by the FATF in the Mutual Evaluation Report of Switzerland 2005. The implications of an integrated financial market supervisory authority for money laundering and terrorism funding were still unclear at the time that the revised ordinance went into effect and failed to be addressed in the revision. The SRO-SIA and the insurers have negotiated a transitional deadline of the end of 2007 to adjust their operations to the new money-laundering regulations laid down by the FOPI.

SRO-SIA | The year under review was marked by amendments to existing legislation in response to the findings of the FATF Mutual Evaluation Report of Switzerland.

Regulatory amendments | Two regulatory amendments entered into effect on 1 January 2006. They relate to the investigation into clients' backgrounds, controls, sanctions and legal recourse. In future members of the SRO-SIA are obliged to identify which of their client relationships regulated by the Money Laundering Act are politically exposed persons (PEPs). If there are indications that a client falls into the category of PEP, the insurer must make a close examination of the client's economic background and his reasons for wanting to conclude the contract. The technical aspect of this amendment must be in place by the end of June 2007.

The introduction of an external agent is also new. Member companies must each designate an external agent who is independent of their executive management and board and who will monitor adherence to due diligence at the express order and instructions of the Board of the SRO-SIA. The areas for review by the external auditors are to be standardised and defined for all the companies to be audited within a period of four years.

Position | The SRO-SIA had the opportunity to state its position on the draft proposal of the FOPI Ordinance on the VGW. It welcomed the decision taken to revise the Ordinance on the Combating of Money Laundering on schedule as it did the decision to maintain its legal nature as a framework ordinance. This was not least with view to the amalgamation within FINMA of the state supervision of banks, insurers and other financial intermediaries, as provided for in FINMAG

Despite the as yet unknown implications of integrated financial supervision on the fight against money laundering, the SRO-SIA is already petitioning the supervisory authority to ensure that any common supervisory ordinance should require life insurers to conduct only such due diligence measures with regard to laundering as are meaningful, appropriate and practicable and that reflect the special circumstances and risks of this business.

2005 reporting of SIA member companies | The companies updated their internal regulations and guidelines on an ongoing basis. Internal and external auditors carried out spot checks on compliance with legal and regulatory due diligence obligations. No serious deficiencies were found in the governance of any of the member companies. The education and training programme for back-office and field staff was extended and some parts also offered to brokers.

The number of incidents reported to internal money-laundering units increased further to 994, compared with 850 in the previous year. The reports once again related to the main problems of fund flows and identification. In 111 cases the internal money laundering units had to conduct extensive investigations as provided for in Art 6 of the GwG (previous year: 129).

SRO-SIA on the Internet

The annual report, articles of association, regulations, remarks on the regulations and the SRO-SIA Newsletter can be downloaded from www.svv.ch. The SRO Newsletter contains news on the combating of money laundering from the SIA's self regulatory organisation.

Meeting with the LOPI | In spring a delegation of the FOPI met with a delegation from the SRO-SIA. The main item on the agenda was a general discussion of the annual reporting of the SRO to the supervisory authority. With view to reporting 2006, the issues and concerns of the FOPI that were still pending were clarified at a workshop attended by money laundering officers from the member companies.

Head office | In a further edition of "SRO-SIA News", which appeared in German and French, the head office provided information on current issues related to money laundering. The number of enquiries from SRO-SIA members increased further over the previous year and related mostly to problems with the implementation of the new regulatory provisions (PEP and external audit), questions relating to the fight against terrorism (application of the Embargo Act and invocation of sanctions) and how to interpret the regulations. Responses of fundamental importance were once again placed at

the disposal of the members of the expert commission and extracts published in "SRO-SIA News".

During the year under review, the member companies filed 18 reports of suspected money laundering with the AMLA (2005: 7).

Money-laundering commission | The work of the money-laundering commission was dominated in the year under review by the implementation of the 40 revised recommendations of the FATF and the implications of the FATF Mutual Examination Report of Switzerland 2005. At three commission meetings and in Task Force meetings the issue of the adoption of the risk-based approach to combating money laundering was examined in depth. This approach is to be taken over in the revised regulations. This caters better to the different structures of the member companies.

Practical application of the FATF recommendations | Putting the revised FATF recommendations on the combating of money laundering and fight against terrorism into practice is a high priority for the relevant federal authorities. This is testimony to the significance attributed to having a robust and economically feasible defence mechanism to combat organised crime. The SIA welcomes the FATF recommendations in principle. They are in line with the efforts of the private insurance industry to promote Switzerland as a reputable financial centre and to continue to be vigilant in combating international business crime. Cost and benefits must, however, be in reasonable relation to each other. The SIA will continue to advocate recommendations that can actually be put into practice in the short term. In this context the SIA has adopted a critical stance on the planned revision of the GwG and revision of the VGW.

Liberalisation in compulsory accident insurance and new goals in accident and loss prevention

Joint pricing arrangements lifted in compulsory accident insurance. | Close collaboration on the “CH Salary Standard” project. | New SIA accident and loss prevention strategy. | Draft accident and loss prevention act drawn up. | Revision of preliminary medical documentation form for whiplash.

General

Joint pricing arrangements lifted in compulsory accident insurance. In the year under review insurers undertook to set their own individual tariffs from 1 January 2007 at the latest. The liberalisation will obviously lead to stiffer competition among insurers. The introduction of new tariffs went smoothly and to the full satisfaction of the companies insured.

Liberalisation in compulsory accident insurance made it necessary to make numerous adjustments at association level: for example, accident insurance statistics had to be recalculated to ensure that insurers continued to have the necessary fundamental data at their disposal, while the fund used to guarantee future disability annuities had to be reorganised.

Accident and health insurers have pledged to work together closely on the CH Salary Standard project, the aim of which is to make it possible for insured companies to send their salary data to all recipients electronically. This would relieve the senders and recipients of salary data of an enormous workload. The project is progressing well and the first electronic transmission of data should be possible as early as the end of 2007.

Accident and loss prevention projects

In the year under review, the SIA continued its intensive work in the area of prevention, with priority being assigned to the formulation of a new accident and loss prevention strategy and to preliminary work on its implementation. The new strategy features the elements of co-determination and collaboration.

Co-determination | Most accident and loss prevention

institutions are financed by insurers. The SIA aims to be politically active and bring its influence to bear on these institutions with the aim of encouraging them to coordinate their activities.

Collaboration | The SIA aims to carry out more projects itself. As the umbrella organisation representing the insurance industry, the SIA wishes to work in all loss areas. Over the next four years the SIA will take up the issues of stress, whiplash, accidents involving wild animals, and flooding.

Alongside its activities in actual accident prevention, the SIA also lobbies for this topic at political level. In spring 2005, working in collaboration with *santésuisse*, the SIA presented a model of how to organise accident prevention measures more efficiently in Switzerland. This was used by a federal expert commission as the basis for the drafting of a new accident and loss prevention act.

Medical Service

Preliminary medical documentation form | Following its evaluation in 2005, the preliminary medical documentation form was completely revised and redesigned in the year under review. In April 2006 the current form relating to cervical acceleration / declaration (CAD) was sent out accompanied by a cover letter and instructions to some 9,000 general practitioners, surgeons, orthopaedic specialists, doctors of internal medicine, neurologists, rheumatologists, doctors of physiotherapy and rehabilitation as well as hospitals with casualty departments. The fact that a special item was set up in the Tarmed catalogue of chargeable services to compensate physicians for their completion of this form was gratifying.

www.svv.ch/medizin

The Internet page of the SIA Medical Service with all its content and function features has been integrated into the SIA website. At www.svv.ch/medizin you can find the entire spectrum of information, the preliminary documentation form and the application form for life insurers. Information about rehabilitation clinics can be found at www.rehaguide.ch

Rehabilitation clinic guide (Rehaguide) | Separate forms exist for registering patients for rehabilitation, spas or convalescence. These forms used to be available only on paper and had to be requested from santésuisse (rehabilitation) or the association of Swiss Health Spas (spas and convalescence). In consultation with these two institutions, the SIA Medical Service has received permission to make these forms available in electronic form at www.rehaguide.ch

Successful accident insurance (UVG) conference | Visitors enjoyed this year's UVG conference in May 2006. The conference dealt with insurance medicine issues, accident-like bodily injuries, neuropsychology, whiplash and other topics. The speakers delivered their presentations with great enthusiasm. This Switzerland-wide UVG conference will continue to take place in spring every two years. The next conference is scheduled for 2008.

Favourable claims experience and improved insurance protection against natural catastrophes

Switzerland's unique system of natural perils cover has passed the test with distinction. | The private insurance industry paid out CHF 1.3 billion in flood claims in 2005. | Insurance cover is being enhanced. | A project group is working on the first nationwide earthquake insurance cover. | Motor and liability insurers reporting premium growth. | The e-insurance card is introduced.

Property insurance

Premium growth remained virtually on a par with the previous year, registering only a minor increase. This shows that competition continues to be fierce. The claims burden has fortunately declined, which can be traced back to the first fruits arising from loss prevention efforts in this area.

Natural perils insurance

As mentioned in the previous year's report, the extreme damage wrought by natural perils in 2005 showed that Switzerland's natural perils cover, which is without equivalent anywhere else in the world, passed the test with distinction. The private insurance industry paid out CHF 1.3 billion in flood claims.

Enhanced insurance cover | In view of the high cost of claims it soon became clear, however, that the current cover limits had to be raised. Consequently, cover terms (premium rates, deductibles and aggregate limits) were in some cases redefined. The supervisory ordinance was amended accordingly by a Federal Decree. The Federal Council increased the maximum benefits payable by insurers for a natural catastrophe from CHF 500 million to CHF 2 billion, thereby ensuring that Switzerland continues to have exemplary insurance cover. After raising the maximum insurance benefits, the Federal Council defined new deductibles for building damage and building contents (household, commercial enterprises). The premium rates were approved by the FOPI. These amendments have been in effect since 1 January 2007.

Natural perils loss prevention | Notwithstanding the amendments to natural perils insurance mentioned, it is in the absolute interests of all those involved at federal government, cantonal and local government level to take all the measures possible to reduce the number and severity of claims in particularly exposed areas. A comprehensive assessment includes the compilation of natural hazard maps, which the Federal Office for the Environment, Forests and Countryside (BUWAL) commissioned quite some time ago. However, this does not relieve policyholders of their obligation to do all in their power to prevent or reduce future claims.

Switzerland-wide earthquake insurance

Insurers generally do not provide earthquake cover in Switzerland. Some insurance companies offer riders on top of fire policies to cover earthquake damage to buildings and contents. However, such cover generally comes with a high deductible. Today, the vast majority of buildings in Switzerland are not insured against earthquakes.

The SIA advocates nationwide earthquake cover in Switzerland as there are glaring gaps in coverage against earthquake damage. Earthquake cover should be included in a compulsory fire insurance policy in the same way as natural perils insurance. Nationwide earthquake cover is by far cheaper than the individual taking out optional earthquake insurance.

Joint project group | Private insurers and cantonal building insurers are working together to design a nationwide earthquake insurance. During the course of the project, it became clear that given the numerous different legal requirements that have to be met, introducing such coverage nationwide needs to proceed on an individual basis in the 19 cantons that have monopoly institutions. The

SIA's preferred introduction date of 1 January 2008 has proved not to be feasible. Taking into account all the circumstances of which we are aware today, the introduction of nationwide earthquake insurance on 1 January 2009 seems to be realistic.

Motor insurance

Motor insurance premiums grew by 2.8 % in the year under review, which was above the average of total property and casualty business. Motor liability insurance in particular developed favourably, with growth estimated at some 3.1 %. Motor own damage business increased by around 2.4 %. Premium growth is likely to be attributable to higher premium rates in general that are being applied to new and amended policies, and to a strong rise in new car registrations.

Rise in new car registrations | After being in continuous decline since 2001, the number of new car registrations increased for the first time again by 3.7 %. With 523 cars per 1,000 inhabitants, Switzerland joins Liechtenstein, Luxembourg, Iceland, Portugal and Germany as the most mobile countries in Europe. The share of motor insurance at some insurers accounts for a quarter of their total non-life premium income. It goes without saying that all car insurers are trying to retain this extremely important business and expand it where possible. Given the fierce competition on the market, tariffs are likely to come under pressure and apply a brake to premium growth, which will probably be more moderate in future.

Reduction in accidents | Results in the motor lines are primarily influenced by the number of accidents. Statistics indicate a further pleasing reduction in the number of fatal road accidents. Insurers have for years been

supporting efforts to prevent accidents, two being the obligatory 2-phase driving test for young drivers and the "Headlights on during the day" campaign. They have also recently supported measures to prevent collisions with wild game. The package of measures introduced under the "Via sicura" project, which is soon to enter into the consultation phase, has also received the general backing of the insurance industry. The project aims at introducing infrastructural measures, stricter checks and sanctions, and educating and re-educating road users. However, insurers reject the government's suggestion to finance the measures by imposing a general 15 % surcharge on motor insurance premiums.

E-insurance card | In the year under review the Federal Council approved an amendment to the Swiss Road Traffic Insurance Ordinance that had been put forward by insurers. Under the new regulations, all companies that provide motor insurance in Switzerland have until the end of 2008 to send proof of insurance in electronic form to the vehicle registration authorities. Under the aegis of the Motor Insurance Expert Commission, a working group has been involved for some time in the "e-insurance card" project. In the meantime, several companies and cantonal vehicle registration authorities have hooked up to the electronic reporting system. The traditional paper version of the insurance card will soon become a thing of the past.

Liability insurance

The positive trend in premium income over the past few years continued into 2006, with the approximate 4 % rise in premiums a significant improvement on the previous year. The General Liability Expert Commission completely revised the non-binding, standard terms and conditions for business liability insurance. They can be downloaded in German from the SIA website www.svv.ch (under Publikationen).

Marine insurance

Premium growth suffered in this comparatively small line of business due to extraordinarily fierce competition. Although claims are somewhat down overall on the previous year, they remain relatively high. The relevant Marine Expert Commission is focussing on transferring specialist know-how to all market participants.

Engineering insurance

This likewise small line of business continued to report unsatisfactory premiums, although the claims situation remained stable. The refinement of existing covers that is under way and the development of new covers should make it possible for this sector to further improve its market penetration.

Legal protection insurance

The growing importance of legal protection insurance continued to make itself felt this year. Gross premiums amounted to CHF 304 million in 2006, and are thus 7 % higher than in the previous year, although claims expenditure, too, rose in 2006 in line with expectations. The Swiss market continues to offer substantial scope for growth in legal protection insurance: more and more people are seeking the services of a lawyer to settle disputes, this being partly attributable to the growing complexities of the law.

Public relations work is of key importance

Great media interest in the insurability of natural catastrophes. | Media seminars and background discussions much sought after. | 4,000 sign up for the SIA electronic newsletter. | Extranet enhanced. | Successful seminar on the growing “disablement” of our society. | SIA publications in great demand.

Public relations work plays a key role in helping the SIA attain its goals. This prompted the association to gear its communication towards strategic campaigns and to develop measures to intensify its public relations work. The SIA works closely with the communications offices of its member companies to ensure that the industry speaks with one voice on the issues affecting it.

Media work and information services

Media conferences | The floods of August made 2005 an extraordinary year for the insurance industry, presenting a communication challenge to the SIA and consequences that were still having an effect in the year under review. The association staged a media conference in August 2006 to take stock of the events of the previous year. The conference went down as a great success with journalists, who were especially interested in the prospects for the future and the insurability of such events in the face of climate change. The SIA used the occasion to present its suggestions of how to adjust conditions to enable the industry to deal with future events of this dimension. The federal government amended the terms of natural perils insurance as of 1 January 2007, so that Switzerland remains very well insured against natural catastrophes.

In December a media conference took place aimed at introducing the Swiss Solvency Test as a new instrument to be used for insurance supervision purposes and to outline its implications for the economy. Numerous journalists accepted the invitation to attend and debated the issue at length in the press.

At its annual media conference on 24 January 2007, the SIA delivered a positive summary of the previous year to the media representatives attending, presenting a private insurance industry that was in sound financial health.

Media seminars and background discussions | The SIA conducted seminars on a number of selected topics in 2006 with the aim of providing the media with fundamental information on the industry. In December a media seminar was held to look at current issues in occupational pension provision. The SIA also gave regular background interviews with selected journalists on various current topics. These events enable the SIA to continuously cultivate personal contacts with journalists. As part of the expansion of its communication activities, the SIA is now actively expanding its network with the media in French-speaking Switzerland.

Media queries and dissemination of information | The SIA's media office responds to calls from journalists on a wide range of insurance-related themes. Its aim is to deliver information rapidly and to place experts and contacts at the media's disposal where necessary. It also communicates the association's positions and opinions on key issues. These are also the subject of the 22 media releases that were released by the SIA as part of its PR work in the year under review.

Evaluation of communication work | The SIA tracks how its communication activities are being received by carrying out media content analyses. It does this by systematically analysing how the media report on insurance-related topics and highlighting areas where there is room for optimising its PR efforts.

Issue Management

Issue Management is a system used to keep track of political, legal and economic developments on the SIA extranet. It is designed to assist the member companies to identify and assess the opportunities and risks involved in their communication. Issue Management contains reports from the worlds of media, business and academia along with the SIA position papers on a number of subjects of relevance to the public. Since December 2006 insurance-related motions issued by the National Council and Council of States and consultation and hearing proceedings have also been accessible in Issue Management.

Electronic media

Redesign of the SIA website | In September 2006 the new SIA website (www.svv.ch) went live after having been overhauled technically and given a new design and content. The website registered almost 200,000 visitors in 2006, which translates into a monthly average of more than 16,000 visitors and growth of more than 30% over the previous year.

SIA Internet

Media, opinion leaders and the general public can find a wealth of information along with the SIA's stance on specific issues on its website www.svv.ch where its publications and newsletter can also be ordered.

Newsletter subscriptions quadrupled | The SIA's electronic newsletter provides weekly information on the latest developments in the private insurance industry. Since the newsletter's launch in May 2005, its circulation has jumped from 1,000 to 4,000. The newsletter is available in German and French and can be subscribed under www.svv.ch/newsletter

Expansion of the extranet | Since its relaunch in April 2006 the extranet has established itself as an important information and working platform for the SIA. Its range of information and functions has been constantly expanded and its user friendliness has been constantly enhanced and adjusted to the changing requirements. The number of hits registered by the site and the number of subscribers are clearly on the rise: at the end of 2006 the number of subscribers stood at 2,500.

SIA extranet

All employees of our member companies can access the SIA extranet (<http://extranet.svv.ch>). Members of our association's specialist bodies also have access to a separate dedicated electronic office.

FORUM@insurance

On 30 November 2006 the SIA held its second national conference under the label FORUM@insurance, which this year was on the subject of the growing "disablement" of our society. The idea of offering FORUM@insurance as an interdisciplinary platform once more proved to be a winner. All key interest groups engaged in dialogue and debated the problem of the growing "disablement" of our society from a holistic perspective. Among the approximately 200 participants were representatives from the insurance industry, medical and legal professions as well as psychologists, state insurers and employer representatives. The conference was opened by city councillor Markus Dürr, the Chairman of the Swiss Conference of the Cantonal Ministers of Public Health, who was followed by further speakers of high standing.

New publications

The SIA once again published or revised a series of publications, with print runs for some products having to be repeated to meet the enormous increase in demand. They are all described on the SIA website www.svv.ch, where they can be ordered or downloaded along with a catalogue of all SIA publications.

“Positions of the Swiss Insurance Industry” once again appeared four times in 2006 and presented the SIA’s stance on the most current issues affecting the industry. It is targeted primarily at members of parliament, authorities, the media, political party secretaries, members of the SIA’s expert bodies (committees, commissions, working groups) and the 140 association secretaries and chambers of commerce and industry.

“About Us” is a portrait of the SIA, which is updated every year for the Annual General Meeting. It provides an overview of the SIA’s mandate, aims and organisation, along with a list of all member companies. The brochure also contains key ratios and a brief history of the Swiss private insurance industry. It is available in English, German and French and can be downloaded or ordered from the SIA website. It is intended for visitors both from home and abroad, new members of the association’s expert bodies, media, politicians and partners across associations and authorities who are not yet familiar with the SIA.

“Facts and Figures” is published each year in time for the traditional SIA media conference in January. This small brochure, available in English, German and French, contains a lot of useful figures.

“An Overview of Occupational Pension Provision” is a brochure that provides a clear and simple explanation of the complex occupational pension system in Switzerland. It contains an overview of the legal and organisational basis of pension fund facilities, with a special look at collective foundations, and covers all the important issues. The 6th edition has been published in German and a 3rd version in French.

“70 Questions about Insurance” is a practical consumer guide, which has attracted wide interest. It summarises consumers’ questions about all insurance lines. A revised edition in German and French is due to come out in spring.

“Insurance” is a new information resource directed at 16- to 20-year olds attending vocational and middle schools. The booklet answers basic questions about insurance and presents all types of insurance in a clear fashion. The teachers’ guide can be downloaded from the Internet. The e-lesson has been designed to be used in conjunction with the booklet and includes three modules covering the most important information on the subject of insurance.

“Information on the obligation to obtain informed consent” is a new brochure which traces the development of medical liability, the types of medical information a doctor is obliged to provide and the briefing of patients prior to an operation. It is targeted at doctors, lawyers and patients and is available in German.

“Information on the regulation on intermediaries” contains important aspects of the regulations applicable to intermediaries and is aimed primarily at insurance intermediaries; it is available in German and French.

SIA publications in 2007

A list of all SIA publications can be downloaded in German from www.svv.ch (Publikationen).

Support of loss prevention projects

The SIA is actively involved in the prevention of personal-injury and property-damage claims, while supporting third-party projects and conducting loss prevention campaigns of its own.

“Valais moves!” exhibition | As part of the special exhibition “Valais moves!” at the Valais Fair in Martigny visitors and school children learned about Canton Valais’ exposure to earthquakes, the effects of a quake and earthquake-resistant construction. The SIA took part in the exhibition by holding a speech, providing information on the planned Swiss-wide earthquake insurance and organising a competition for school children on the subject.

Conference to commemorate the Basel earthquake of 650 years ago | The Swiss Earthquake Conference was held on 18 October to commemorate the 650th anniversary of the Basel earthquake of 1356. The SIA was involved in the conference. Some 350 participants from all over the country came to hear experts talk about Switzerland’s earthquake exposure and how to respond to it. The organisers particularly stressed the need for a Switzerland-wide earthquake insurance cover.

“Enjoy sport – protect yourself” | argues the case for wearing adequate safety gear when engaging in popular winter and summer sports. This sports campaign, which has been under way for a number of years on billboards and TV and in the form of helmet-testing days, is having an effect: 42 % of skiers and snowboarders already wear a helmet. The number of people wearing a helmet on the slopes almost tripled between 2003 and 2006.

Other information activities

During 2006, the association ran an informational advertising campaign with 45 pieces appearing in the editorial of the *Sonntagsblick* and *Le Matin dimanche* in Western Switzerland. The topics presented came from all lines of insurance. All the topics covered (consumer queries, questions about insurance) can be called up on www.svv.ch

The association’s head office submits reports to the Board every two weeks. The SIA also sends out a bi-weekly electronic bulletin to all members of the SIA specialist bodies commenting on the latest developments in the association’s work and on insurance-related topics from the worlds of politics and business.

Additional sources of information on prevention projects

Instruction paths: www.schutz-wald-mensch.ch

Wearing a helmet: www.enjoysport.ch

Statistics in demand

The national and international press are very interested in obtaining statistics and facts about the Swiss private insurance industry. “Figures from the insurance indus-

try”, which can be found in German and French under “Medien” and “Service” on the SIA website www.svv.ch, provides a wealth of data that are continuously updated. The brochure “Facts and Figures” is published each year and can be ordered in English on www.svv.ch (*Publications*).

Investments made by Swiss life and property and casualty insurers, and reinsurers

Total	2003	2004	2005
■ Life	297 676	291 710	293 505
■ Non-life	112 132	116 334	128 162
■ Re	91 569	102 571	124 000
Total in CHF million	501 377	510 615	545 667



2005

Life

Non-life

Re

Income

Total in CHF million	20 707	18 800	19 213
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Source: Federal Office of Private Insurance

International insurance ratios * 2005

	Per capita premiums in USD	of which life insurance in USD	
Switzerland	5558	3078	
United Kingdom	4599	3287	
Ireland	4177	2759	
Belgium	3985	2988	
Denmark	3876	2489	
USA	3875	1753	
Japan	3746	2956	
Netherlands	3739	1954	
France	3568	2474	
Finland	3389	2707	
Norway	3302	2043	
Sweden	3092	2105	
Australia	2569	1366	
Hong Kong	2544	2213	
Canada	2449	1071	
Austria	2342	1095	
Germany	2310	1042	
Italy	2263	1449	
Singapore	1983	1591	
South Korea	1706	1210	
New Zealand	1485	219	
Spain	1454	6	
Israel	1104	510	
Russia	122	6	
China	46	30	

* Amount spent on insurance premiums per capita and country (not including social security).

Source: sigma/Swiss Re

Training as a crucial factor for success and competition

The Swiss private insurance industry is reorganising its advanced education and training efforts with the introduction of a new training concept in the form of the Insurance Management School HFV and a revised federal certificate in insurance. The second semester started on the insurance management development platform of the Institute of Insurance Economics at the University of St Gallen.

The Insurance Industry Vocational Training Association (VBV)

The VBV's work in the year under review centred on establishing new advanced vocational training courses culminating in the award of the Federal Insurance Certificate and Degree in Insurance Economics and on the implementation of the intermediary qualification. In both areas numerous part-time groups worked on developing the content, creating the learning media and defining the examination procedure. The insurance intermediary qualification has already been implemented and the development of the new advanced vocational training courses is well under way.

education@insurance | Work on the education@insurance platform continued in the year under review. The VBV's own training courses assumed a key role, particularly the insurance intermediary courses. What is more, insurers assumed an increasingly active role in developing and distributing new training offerings, with some insurers permitting external participants to attend their internal courses. To better communicate the courses on offer, the VBV published a brochure of its training courses in 2007. The platform already generated earnings of some CHF 700,000 in 2006.

BVF | The Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning outlined the scenarios for its exit from the seven BVF qualifications. The last examinations will take place in 2009. Counter to expectations, the number of candidates signing up for the examinations declined very slowly. In the 2006 examination year, 2,526 candidates took 9,832 module examinations in 56 modules at certificate and degree level (2,319 at certificate level and 207 at degree level). Approximately 1,800 candidates have already signed up for 7,100 module examinations during the 2007 spring examination period. It appears that as many people as possible working in the Swiss financial sector still wish to take advantage of this flexible occupational qualification system.

Advanced professional training: new training programme

The project organisation adopted by the SIA Board at the beginning of 2006 developed the certificate and degree programmes in a holistic process with the aim of creating two clearly demarcated qualifications and avoiding any duplication.

Professional profile defined | The professional profile was defined as were the skills and requirements for both levels based on the typical working fields and processes in which graduates with certificates and degrees will be working. On this basis, insurance specialists and training professionals are developing course content along with detailed curricula and the examination procedure. The final project phase saw the establishment of the school organisation, the recruitment of lecturers and the compilation of teaching materials.

Health insurers also on board | Since the project started, health insurers who recently joined the SIA have appointed their own representatives to sit on the project committees. Representatives from santésuisse are working on the project team and assisting in drawing up the training programmes following the decision of the santésuisse board to work more closely with the VBV in future on training issues. What is more, the SIA encourages the regular exchange of ideas with various individuals from social insurance authorities.

New partner | The relevant committees decided last autumn to establish and run the new Insurance Management School HFV in collaboration with AKAD Business, a subsidiary of the Kalaidos Bildungsgruppe Schweiz, and to offer courses in Zurich and Lausanne. The VBV was assigned responsibility for revising the federal certificate and will prepare the courses in collaboration with partner schools in three languages and offer them in various locations. Both courses of study will be offered for the first time in autumn 2007.

VBV insurance intermediary

The course developed by the VBV could be booked as of this year on the VBV training platform www.education-at-insurance.ch. Materials custom-tailored for the insurance intermediary course were available at intermediary@insurance in good time for the start of the course. The VBV offered 9 courses with a total of 135 modules. These depend on the collaboration with insurers and on freelance broker specialists recruited as speakers by the VBV. Not all of the courses were held in the first year, particularly in French- and Italian-speaking Switzerland.

Examination platform for insurance intermediaries

The entire examination organisation from registration through to production of the final certificate is processed on the VBV examination platform. Under www.intermediary-at-insurance.ch candidates can find all they need for the examination. The first round of examinations took place in June; the second one will take place in November. Local examination centres (Allianz Suisse, Basler, Mobilar, Pax and VBV) ensured that the examinations were organised in compliance with the regulations at seven locations. 159 candidates, 25 of whom were women, took the examinations in 2006.

Its course offerings, materials, written zero series, oral test practice and examinations makes the VBV optimally equipped to fulfil the mandate given it by the FOPI to implement the professional qualification of insurance intermediary in three languages.

The Insurance Industry Vocational Training Association (VBV)

The VBV is the professional training association of the private insurance industry. It promotes and coordinates professional training courses, nation-wide training and further education in the private insurance industry: www.vbv.ch

Registration for the insurance intermediary course: www.education-at-insurance.ch

Registration for the VBV insurance intermediary examination: www.intermediary-at-insurance.ch

Occupational and advanced specialist examinations under the "old" system: www.bvf-bap.ch

VBV-Regio

The aim of the VBV-Regio is to relieve the regions of the administrative and personnel workload associated with training, while guaranteeing a transparent and centralised flow of funds and introducing structures specific to the regions. In 2006 the concept for the VBV-Regio was developed and tested in a number of pilot regions. Based on the experience gained, the VBV-Regio Basel was included in the new model at the beginning of 2007. Further regions will be joining the Regio family during the course of 2007, starting with German-speaking Switzerland. These decentralised organisational units of the association will assume the role of local VBV representatives.

Further education initiative for insurance managers

As part of its training initiatives, the SIA commissioned the Institute of Insurance Economics (IVW) of the University of St Gallen (IVW-HSG) to set up an international insurance management development platform. With the active support of an SIA project group the IVW developed a practical further education concept with offerings tailored to managers at various phases of their professional development. The courses range from a fit-for-insurance course for people new to the field, via management seminars for different target groups to an International Executive MBA for specialists working in the field of financial services and insurance, the latter to be offered in English in cooperation with the University of Geneva.

Diploma course in insurance management | The flagship of this training platform is the six-week University of St Gallen diploma course in insurance management. This management course is targeted at senior managers who wish to gain an in-depth insight into the dynamics and implications of the modern-day factors influencing how an insurance company works. The course comprises five modules that are carried out over a period of 15 months. In contrast to the existing EMBA programmes, this course offers qualified managers without an academic background the option of obtaining a management diploma from a university that is internationally recognised for its specialisation in business and finance.

Second seminar started | The pilot seminar started in spring 2006 and will run until summer 2007. A second seminar is currently under way with 26 participants from 16 companies from Switzerland and abroad. We are pleased to report that feedback from participants has been very positive. A third seminar is scheduled for 2008.

Insurance management development platform

You can find more about the insurance management development platform of the Institute of Insurance Economics at the University of St Gallen at: www.cim-hsg.ch

CEA

The general assembly of the CEA was held on 16 June in Istanbul. The CEA's membership comprises 33 national European insurance associations. The CEA head quarters will move from Paris to Brussels on 1 January 2008. The period of office of current Chairman Gérard de La Martinière, which was scheduled to end in June 2007, was extended by the general assembly by a further year to 2008. The SIA is represented on the CEA Presidential Council by its Chairman Albert Lauper, who holds the position of CEA Treasurer.

The members of the insurance associations attached to the CEA cover more than 93% of their domestic insurance markets. The CEA represents the interests of 5,000 insurance and reinsurance companies who generate EUR 970 billion in premiums, invest EUR 6,300 billion and employ a total workforce of more than one million.

www.cea.assur.org

IAIS

This year's annual conference and general meeting of the International Association of Insurance Supervisors (IAIS) took place in Beijing, China, from 18 to 21 October 2006. The panel discussions focussed on the theme of the conference: Fostering Development & Managing Risk – Challenges for Insurance Supervisors. Among the items discussed were solvency requirements, the problems of cross-border supervision, particularly with regard to financial conglomerates, how reinsurers cope with natural catastrophes and new challenges to insurance companies such as bird flu.

During the conference, several new regulations and standards were also decided upon. Although not binding on national supervisory authorities, these standards are attributed major importance and are often taken as reference benchmarks by supervisory bodies in their day-to-day work. The new standards include the Standard on Disclosure Concerning Technical Risk and Performance for Life Insurers, the Guidance Paper on Preventing, Detecting and Remedying Fraud in Insurance and the revised Guidance Paper on Risk Transfer, Disclosure and Analysis of Finite Reinsurance.

www.iais.org

OECD

With its recommendations on macroeconomic, commercial and structural issues that carry weight in national and international debate, the OECD is an important body for Switzerland as a medium for forming opinions and exerting influence. This important and recognised international advisory organisation is important for the Swiss insurance industry, not only due to the fact that the OECD Insurance Committee was until recently headed by Kurt Schneiter (FOPI), who entered into retirement when his period of office came to an end. His successor has not yet been appointed.

In December 2006 the Insurance Committee held a four-day meeting, which Switzerland took part in by way of a delegation comprised of representatives of the FOPI, FDFA and the SIA. The main issues were once again enhancing insurers' transparency, the risk of longevity, the consequences of large-scale catastrophes, medical malpractice coverage and educating young people early in financial matters. A long-standing – and unfortunately controversially debated – bone of contention is the liberalisation of insurance. We can but hope that this issue will continue to be pursued as doggedly by the new chairman.

www.oecd.org

WTO/GATS

The Doha Round is currently in a critical phase after talks were suspended in July 2006. Within the framework of the World Economic Forum in Davos, the Swiss government organised an informal meeting of ministers in an effort to try and formally resume negotiations. Despite participants "strong wish" to resume the talks, they could not agree on a clear timetable.

www.wto.org

Members of the Board

Albert Lauper

SIA Chairman

Chairman of the Board of Directors, *Die Mobiliar*

Erich Walser

SIA Vice-Chairman

Chairman of the Board of Directors and CEO, *Helvetia Versicherungen*

Martin Albers

Member of the Executive Board

Head of Europe Division, *Swiss Re*

Urs Berger

CEO, *Die Mobiliar*

Rolf Dörig

CEO, *Swiss Life*

Philippe Egger

CEO, *Winterthur Schweiz*

Markus Hongler

CEO, *Zürich Schweiz*

Manfred Knof

CEO, *Allianz Suisse*

Hans Künzle

CEO, *Nationale Suisse*

Alfred Leu

Managing Director of *Generali (Switzerland) Holding*

Manfred Manser

CEO, *Helsana*

Rolf Mehr

Managing Director, CEO, *Vaudoise*

Georg Portmann

CEO, *CSS Versicherung*

Pierre-Marcel Revaz

Chairman and CEO, *Groupe Mutuel*

Martin Strobel

Member of the Executive Committee, CEO, *Basler Versicherungen*

As of 1 January 2007

Association

Board of Directors | Chairman **Albert Lauper**

Committees

	Economy & Financial Affairs	Life	Medical / Accident	Claims
	Chairman: Bruno Pfister <i>Swiss Life</i>	Chairman: Josef Bättig <i>Zurich</i>	Chairman: Rainer Schellenberg <i>Winterthur</i>	Chairman: Bruno Kuhn <i>Die Mobiliar</i>
Commissions	Accounting and Auditing Peter Hegetschweiler <i>Zurich</i>	Social Affairs Markus Escher <i>Swiss Life</i>	Law and Social Policy Roland Fierz <i>Helsana</i>	Liability Insurance Andreas Schneider <i>Zurich</i>
Public Affairs/ Public Relations/ Prevention	Investment Issues Martin Wenk <i>Bâloise</i>	Actuarial, Life Andri Gross <i>Zurich</i>	Actuarial, Medical/Accident Stefan Anderhalden <i>Zurich</i>	Motor Insurance Manuel Kunz <i>Allianz Suisse</i>
Albert Lauper <i>Die Mobiliar</i>	Taxation, General Irene Salvi <i>Swiss Re</i>	Taxation, Life Hans-Peter Conrad <i>Swiss Life</i>	Compulsory Accident Insurance, FL Kurt Keller <i>Zurich</i>	Legal Protection Insurance Alain Freiburghaus <i>DAS</i>
Employer Policy Urs Berger <i>Die Mobiliar</i>		Legal Affairs, Life Stephan Fuhrer <i>Bâloise</i>		Property Insurance Bruno Spicher <i>Die Mobiliar</i>
Law & Compliance Thomas Lörtscher <i>Swiss Re</i>		Medical Risk Assessment Peter A. Suter <i>Winterthur</i>		Engineering Insurance Hans Emmenegger <i>Zurich</i>
Project groups				Marine Insurance Christian Labhart <i>Winterthur</i>
Task Force/Competition Odilo Bürgy <i>Die Mobiliar</i>				Pascal Barbato <i>Helvetia</i>
Consumer Issues Alfred Leu <i>Generali</i>				Head of Claims Vincent Brulhart <i>Generali</i>
				Statistics Walter L. Thöni <i>Zurich</i>
				Insurance Fraud Werner Kaderli <i>Zurich</i>
		Self-Regulation Organisation SRO Josef Bättig <i>Zurich</i>		Natural Perils Pool – Head Bruno Kuhn <i>Die Mobiliar</i>
		Expert Commission Money Laundering Eugen Müller <i>Swiss Life</i>		Natural Perils Commission Gaspare Nadig <i>Die Mobiliar</i>
				Earthquake Syndicate – Head Bruno Kuhn <i>Die Mobiliar</i>
				Earthquake Syndicate Claims Commission Gaspare Nadig <i>Die Mobiliar</i>

As of 1 January 2007

Head Office

CEO | **Lucius Dürr**¹

	Units			
Public Affairs Norbert Hochreutener *	Economy and Law Bruno Zeltner ²	Communications Michael Wiesner *	Personal Insurance Roland A. Müller *	Indemnity Insurance Max Gretener *
Management Board and Board of Directors Tamara Gärny	Employer Policy Insurance Law/Financial Market Supervision Solvency/Risk Measure- ment/Investment Issues/ Accounting and Auditing Fiscal Policy and Tax Issues General Legal Issues Legal Protection Insurance Antitrust/Compliance Liability Law/Liability Insurance Economic Issues/OECD, WTO/GATS Logistics/Accounting	External/Internal Communi- cations Consumer Issues Information service Extranet/Internet Print Media Events Seminars	Social security Life insurance Public Health Health/accident insurance Prevention Insurance medicine Medical Fees Self-Regulation Organisation/Money Laundering	Motor Insurance Property Insurance Engineering Insurance Marine Insurance Head of Claims Statistics Insurance Fraud Swiss Natural Perils Pool / Earthquake Syndicate

¹ Chairman of the Board
of Management

² Deputy Chairman
of the Board of Management

* Member of the Board
of Management

As of 1 January 2007

Membership

Our members are small and large, national and international primary insurers and reinsurers and currently number 79 (as at 1 January 2007, see page 2).

Annual General Meeting

The 76th SIA Annual General Meeting was held on 14 June 2006 at the Culture and Convention Centre in Lucerne. The delegates of 58 members were in attendance, as were numerous guests from the worlds of politics and finance.

SIA Chairman Albert Lauper gave a speech on the dilemma of how to provide clients with added value while striving for profit. Guest speaker was Eugen Haltlin, Chairman of the FBC and Head of the FINMA project. He spoke about FINMA and of how crucial a role the merged supervisory body played for Switzerland's standing as a financial centre. The texts of the speeches can be called up in German and French on the SIA's website (www.svv.ch).

The terms of office of the entire Board came to an end. Chairman Albert Lauper and the Board members proposed for re-election were unanimously re-elected for a further period of office.

Michel Liès (Swiss Re) and André Vionnet (Nationale Suisse) stood down at the General Meeting. Hans-Jürg Bernet (Zürich Schweiz) and Thomas Pleines (Allianz Suisse) had resigned their board mandates at the end of 2005. The following four new members were elected for a three-year period of office: Martin Albers (Swiss Re), Markus Hongler (Zürich Schweiz), Manfred Knof (Allianz Suisse) and Hans Künzle (Nationale Suisse).

Board and Board Committee

The Board convened four times during the year under review to discuss its business, as did the Board Committee. They were joined by Markus Hongler (Zürich Schweiz), in lieu of Hans-Jürg Bernet (Zürich Schweiz), who had resigned.

Committees and Commissions

Our committees, commissions, working and project groups, delegations and task forces again put an enormous effort into working on current issues affecting the industry. Our member companies sent 400 experts to work in the SIA's 58 expert bodies. It is only thanks to the willingness of our member companies to lend their specialists to carry out the important and in some cases time-consuming work of the SIA's various bodies that it is at all possible for our association to manage its diverse work.

Head office

The head office in Zurich with a team of 30 staff is the operative element in the SIA's structure. Under the leadership of the Chairman, the Management Board is responsible for implementing the association's resolutions on management and administration issues (articles of association, mission statement, action plan, by-laws). The head office units also provide technical and administrative support to the SIA bodies.

Auditors

PricewaterhouseCoopers, Zurich

Private Insurance and SUVA Ombudsman

A review of 2006 shows that the work of the ombudsman was influenced by various external and internal factors such as the partial revision of the Insurance Contracts Act VVG and the expansion of the ombudsman's remit. From the beginning of the year under review the ombudsman for the first time handled enquiries and complaints in connection with occupational pensions. A total of 4,688 cases were submitted to the ombudsman in 2006, which was 242 more than in the previous year. Broken down by line, the private insurance area contributed the most submissions, with 3,068 cases. It was followed by 501 related to the UVG and 277 to the BVG.

Anyone who is a member of a group life insurance foundation can seek redress from the ombudsman in Zurich, Lausanne or Lugano, provided that they have no legal representative and are not already involved in legal proceedings. You can order a detailed annual report from www.versicherungsbund.ch

Swiss Institute of Safety and Security

The Institute offers services in risk management and workplace safety and security, seeing its role as a partner to companies, the insurers and the authorities for the purposes of loss prevention. Its objective is to promote workplace safety and security in the industrial, commercial and service sectors.

www.swissi.ch

AHV	Old Age and Surviving Dependants' Insurance
AMLA	Anti-Money-Laundering Control Authority
AVO	Ordinance on the Supervision of Private Insurance Companies (Insurance Supervisory Ordinance)
BVG	Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans
CEA	European Insurance and Reinsurance Federation
Comco	Competition Commission
DSG	Federal Data Protection Act
FBC	Federal Banking Commission
FDEA	Federal Department of Economic Affairs
FDF	Federal Department of Finance
FDHA	Federal Department of Home Affairs
FDJP	Federal Department of Justice and Police
FINMA	Federal Financial Market Supervisory Authority
FINMAG	Federal Act on Financial Market Supervision (Financial Market Supervisory Act)
FOPI	Federal Office of Private Insurance
FSIO	Federal Office for Social Security
FTA	Federal Tax Administration
IV	Federal Disability Insurance Scheme
KVG	Federal Health Insurance Act
NP	Natural perils
SERVG	Federal Act on Export Risk Insurance (Export Risk Insurance Act)
SGK	Committee for Social Security and Health (of the National Council and of the Council of States)
SIA	Swiss Insurance Association
SRO-SIA	Self-Regulatory Organisation of the Swiss Insurance Association for Combating Money Laundering
SST	Swiss Solvency Test
SUVA	Swiss Accident Insurance
UVG	Federal Accident Insurance Act
VAG	Federal Act on the Supervision of Insurance Companies (Insurance Supervisory Act)
VBV	Insurance Industry Vocational Training Association
VVG	Federal Act on Insurance Contracts (Insurance Contracts Act)

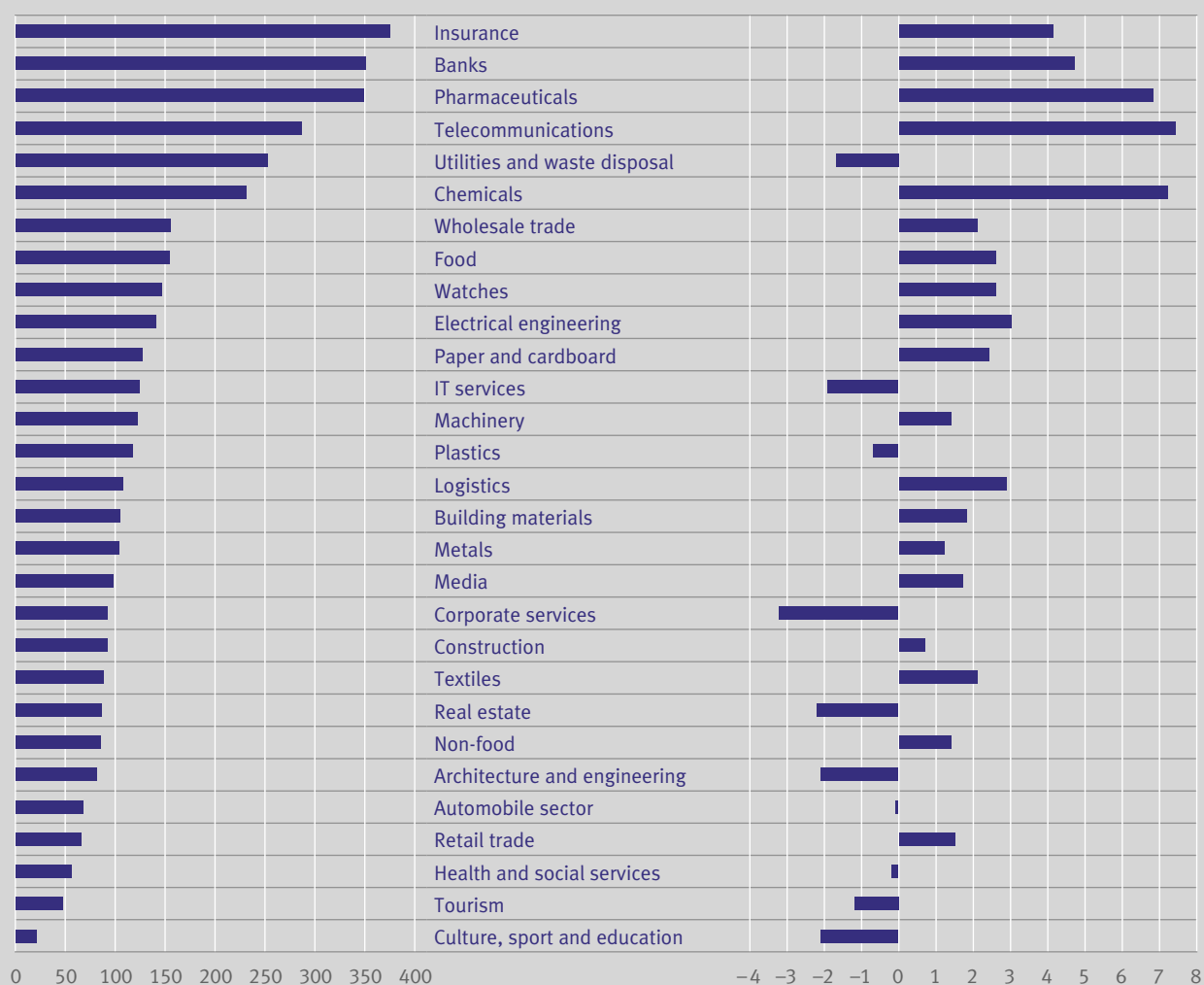
Swiss sectorial trends

Productivity

(Value added per employee)

2006 levels (nominal)
in CHF billions

Annual average rate of change 1996–2006
in percent



These charts are based on data from BAK Basel Economics (as of January 2007).

Source: UBS outlook 1/2007

ASA | SVV

Schweizerischer Versicherungsverband
Association Suisse d'Assurances
Associazione Svizzera d'Assicurazioni
Swiss Insurance Association

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