

# Annual Report 2005/2006

ASA | SVV

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

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## Foreword

Ladies and gentlemen

We take pleasure in presenting you with our association's annual report, which this year has a new look. Its simple structure is designed to help you rapidly find brief and succinct information about the most important business conducted by our association. Do not hesitate to contact us if you need information not contained in this annual report.

Six insurance companies joined our association in the year under review, We would like extend a warm welcome to all new members and look forward to a productive partnership with them.

The Board and our various committees, commissions, working and project groups once again faced a substantial workload in 2005. It is only thanks to the willingness of our member companies to release their specialists from their duties to serve on our committees and bodies that it is at all possible for us to manage our association's varied, comprehensive and increasingly complex workload, and often under considerable time pressure. The number of hours worked by the 350 members of the SIA expert bodies in 2005 were equivalent to CHF 5 million.

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

Swiss Insurance Association  
Albert Lauper, Chairman  
Lucius Dürri, CEO

Brief review of the year

## Key events affecting the Swiss private insurance industry in 2005 and 2006

In terms of insured losses, last year was the costliest one in Switzerland's history. Insurers rose to the occasion in the interests of their clients and the entire economy, while the industry registered an upward trend in other areas.

### January 2005

*5.1.2005* | The SIA reports that the survivors as well as the families and loved ones of the victims of the tsunami in the Indian Ocean on 26.12.2004 can count on fast assistance from their insurers, without red tape. A survey conducted at the end of March 2005 reveals that Swiss insureds filed 1 600 claims for insured damages (life and non-life) totalling approximately CHF 43 million.

*26.1.2005* | SIA media conference: Swiss private insurance in 2004: upward trend continues. The media carries extensive reports of risk-adjusted premiums.

### February 2005

*10.2.2005* | The BVG Commission recommends to the Federal Council to lower the conversion rate for occupational pension provision further than had already been decided within the framework of the BVG revision. The SIA welcomes this recommendation.

### March 2005

*18.3.2005* | The commission of experts working on the full revision of the Federal Accident Insurance Act commences its work.

### May 2005

*30.5.2005* | The Committee for Legal Issues in the National Council calls for a partial revision of the Federal Data Protection Act that takes economic interests better into account.

### June 2005

*5.6.2005* | Swiss voters vote yes for Schengen/Dublin by a 54.6% majority. It is also an endorsement of what has proved to be a good move on the part of Switzerland as regards bilateral agreements.

*7.6.2005* | Due to the heavy criticism levied at plans to revise money-laundering legislation, Federal Councillor Hans-Rudolf Merz announces at the congress on money laundering that the government will review its plans.

*13.6.2005* | The Zurich Cantonal Government rejects mandatory medical malpractice insurance.

*22.6.2005* | The SIA Annual General Meeting: the four biggest health insurers – CSS, Groupe Mutuel, Helsana and Visana – become members of the SIA, thereby strengthening the voice of supplementary health insurance and accident insurers in the SIA.

*22.6.2005* | The Federal Council issues its report and position papers on the 5th Disability Insurance Revision and on the supplementary financing of disability insurance.

*29.6.2005* | The Federal Council acknowledges the results of the consultation process on the second report submitted by the Zimmerli Expert Commission. Its proposals to introduce a new sanctioning procedure in financial market supervision meet with widespread acceptance.

### July 2005

*18.7.2005* | A severe storm causes major hail damage, particularly in western Switzerland. Insurers foot a bill of some CHF 70 million for damage to 15 000 cars.

### August 2005

20–24.8.2005 | Storms sweep across large sections of Switzerland, costing private insurers CHF 1.335 billion. Total losses are expected to reach the CHF 2.6 billion mark (private insurers, cantonal fire insurers, non-insured damages to infrastructure).

31.8.2005 | The minimum rate of interest for occupational pension plans remains at 2.5% for 2006. The SIA reacts to this news with disappointment, arguing that to be in keeping with current market conditions the minimum interest rate should be around the 2% mark.

### September 2005

25.9.2005 | 56% of the Swiss population vote in favour of the extension of the agreement on the free movement of persons and the revision of accompanying measures.

30.9.2005 | Opening of the seventh forestry instruction path on Bettmeralp, sponsored by the Swiss Natural Perils Pool. In view of the record damage inflicted in August, these nature trails are aimed at teaching visitors about the important role played by intact forests in protecting the population and their property.

### October 2005

24.10.2005 | Campaign to encourage people to drive with their headlights on during the day increases visibility and safety for all road users and pedestrians. The SIA's new accident prevention campaign *Headlights on During the Day* aims at encouraging 15% more drivers to drive with dipped or parking lights during the day and thereby increase road safety.

### November 2005

2.11.2005 | The Federal Council decides to stick to its plans to gradually reform the AHV and to make its 11th revision the first stage in the process.

9.11.2005 | The Federal Council decides to pass the revised Insurance Supervisory Act and the amendment to the Insurance Contracts Act, both of which take effect on 1 January 2006. The Federal Council also approves the new Insurance Supervisory Ordinance, which likewise takes effect on 1 January 2006.

29.11.2005 | The petition to introduce a set formula for the calculation of the BVG minimum interest rate is rejected by the National Council.

### December 2005

2.12.2005 | The Federal Council requests the Federal Department of Economic Affairs to initiate the consultation procedure in the area of tenancy law. Deadline: 31 March 2006.

6.12.2005 | The streamlining of disability insurance procedures is approved by the Council of States in its capacity as second instance.

7.12.2005 | The Federal Council commissions the Federal Department of Justice and Police (FDJP) to initiate the consultation process on the company and accounting law sections in the Swiss Code of Obligations. Deadline: 31 May 2006.

16.12.2005 | Parliament passes the new Federal Act on Export Risk Insurance (SERVG).

### January 2006

1.1.2006 | Insurance Supervisory Act/Insurance Supervisory Ordinance and partial revision of the Insurance Contracts Act enter into effect.

25.1.06 | SIA media conference: insurers in good shape despite record losses in 2005. The upward trend is confirmed. Underwriting discipline and continued strict cost management provide further efficiency gains and generate notably better underwriting results for insurers.

*25.1.2006* | The Federal Council submits for consultation the BVG amendment pertaining to a reduction in the conversion rate as part of its plans to lower the rate to 6.4% by January 2011 instead of to 6.8% by 2014 as had been originally planned.

### **February 2006**

*1.2.2006* | 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.

### **March 2006**

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

*22.3.2006* | In its spring session the Federal Council completes its partial revision of the Federal Data Protection Act (DSG). It is as yet uncertain as to when the revised DSG will enter into effect.

*31.3.2006* | Conference on natural hazards in Switzerland. Some 260 leaders and experts from the worlds of insurance, politics and academia as well as public authorities debate whether current insurance solutions and prevention measures continue to be adequate for these risks.

## Introduction by Chairman Albert Lauper

### Efficient and confident

**The Swiss private insurance industry gave impressive testimony to its efficiency over the past few months. It managed record losses from natural catastrophes in an outstanding manner, thereby confirming its confidence in the industry's upturn.**

The natural catastrophes that took place in 2005 made it the costliest year ever in insurance history. Overall global losses are estimated at being far in excess of USD 200 billion, of which USD 80 billion were insured and almost 90% the results of storm and related flood damage.

Switzerland failed to remain unscathed by the storms, undoubtedly testing Swiss natural perils insurers to the limits. Never in the annals of insurance history had natural perils caused damage of such a devastating nature as they did last year. Losses from the flooding at the end of August alone racked up costs of CHF 1.3 billion for Swiss private insurers.

#### Record year for losses

In terms of per-capita gross domestic product, total damage wrought by the storms in Switzerland was in the same league as last year's hurricane damage visited upon the US. The previous record year for losses – 1999 – looked relatively harmless in comparison, despite its avalanches in winter, floods in spring and storm Lothar at the end of December.

Given this entirely new magnitude of loss potential, the former coverage limits laid down in the Swiss Ordinance Pertaining to Natural Perils Insurance proved vastly insufficient: the CHF 250 million limit set for household and other contents was exceeded by around CHF 500 million, while the CHF 250 million limit for building damage was also too low. Nevertheless, our industry paid out insured claims in full and, indeed, far beyond the limits laid down by law. In this way Swiss private insurers gave testimony to their efficiency in a self-confident manner. The Swiss Natural Perils Pool, called into being as far back as 1936, once again proved its worth as an instrument of solidarity without parallel anywhere in the world. It comprises a community of private insurers whose aim is to ensure a better distribution of natural perils risks such as flooding, avalanches and hail.

Nevertheless, the past year made it all too evident that there was a need to adjust the concept of natural perils insurance in line with current exposure. One core element in the development of an insurance model for the future is the provision of earthquake cover. Although Switzerland is rarely hit by severe earthquakes, the loss potential is virtually unimaginable.

Indeed, had the natural perils insurance model been brought into line with today's exposure, insurers last year would have been able to refer to the legal coverage limits and insureds would have had to contend with a commensurate reduction in their claims. Even though insurers refrained from taking such a step and did indeed pay the insured damage in full, we should not lose sight of the fact that insurability has its limits. Should natural perils and their associated damages rise any further, we could very well soon reach the limits of insurability. Whatever the outcome, losses arising from natural catastrophes are losses for our economy.

#### Solidarity – not be tested to its limits

Natural perils insurance premiums are not adjusted in line with actual exposure, ie there are no risk-adjusted premiums, but standard premium rates are laid down by law for the whole of Switzerland. In this way, anyone can afford to insure themselves against natural perils, irrespective of whether they live in the mountains, by a river or in a town.



This sets new limits on insurability, namely, those determined by the limits of solidarity. If premiums rise uncontrollably due to a growing incidence of natural catastrophes, charging a standard premium could meet with the growing resistance of the population in less exposed areas.

However natural perils insurance is financed, it always covers property damage. But not all property is insured; far from it. Transport infrastructure is a case in point, with most of the costs of damage being met by the tax-payer. The long-term protection of this infrastructure is therefore of vital interest to us all. At the end of the day, however, we should not lose sight of the fact that human suffering and the blows dealt by fate cannot be compensated for with money.

**"An insured loss is less of a burden than a loss we have to pay ourselves. But better still is avoiding the loss in the first place."**

**President of the Swiss Confederation Moritz Leuenberger on the occasion of the FORUM@insurance conference on 31 March 2006 in Rüslikon**

### **Prevention needed**

There is thus no escaping the need for preventive measures – not just in the interests of protecting property but, even more so, in the interests of protecting lives. Such protection is an urgent task for us all. Although the local authorities, cantons, government, cantonal building insurers and private insurers have already started to make some preventive efforts in this regard, it remains evident that our prevention plans can and ought to be developed further.

Preventive measures such as compiling risk maps, developing effective flooding protection or implementing earthquake-proof construction norms, while not preventing natural catastrophes, will go a long way towards mitigating their financial effects. Raising people's awareness of natural catastrophes is one effective prevention method. This is what prompted us to conduct a survey among the Swiss population at the beginning of 2006 to find out how people perceived natural catastrophes. The representative survey of 1 240 Swiss made for interesting reading:

- Around 3 out of 4 Swiss think there has been an increase in natural catastrophes in Switzerland, with those in French-speaking Switzerland perceiving less of an increase than their counterparts in German-speaking Switzerland.
- Nevertheless, 47% of the Swiss population are concerned to a certain degree by the natural disasters of recent years.
- Just under 3 out of 4 Swiss consider there is little or no probability of an earthquake taking place; a mere 24% estimate the risk of an earthquake as high or very high.
- Around 43% of all Swiss do not know if their house or apartment is insured against earthquakes; while some 39% of property owners erroneously assume that their property is definitely insured against earthquake damage.
- Interestingly enough, around 67% of respondents would be willing to pay up to CHF 100 per year for earthquake insurance.

The results (on the next page) make clear that the authorities and insurance industry need to factor into their plans people's perception and awareness of natural catastrophes and natural perils insurance.

*Albert Lauper, Chairman*

## Representative survey on natural catastrophes

### Has there been a rise or fall in the number of natural catastrophes in Switzerland?

don't know | 2 %  
unchanged | 24 %  
fall | 1 %  
rise | 73%

### Are you worried about natural catastrophes in Switzerland?

very worried | 7%  
worried | 40 %  
not really worried | 33%  
not at all worried | 19 %  
don't know | 1 %

### How high a possibility is there of a severe earthquake taking place in Switzerland?

very high | 4 %  
high | 20 %  
not really high | 55 %  
not at all high | 18 %  
don't know | 3%

### Is your house definitely insured against earthquakes?

no  
don't know  
yes

### Would you spend CHF 100 per year on earthquake insurance\*?

don't know | 9 %  
no | 24 %  
yes | 67 %

\*for a building valued at CHF 700 000

Source: gfs.bern 2006

The CEO's report

## **Unequivocal commitment to the needs of society**

**The Swiss insurance industry renders important and indispensable services to the economy, society and the individual. In 2005/06 the SIA's prime focus was on improving the framework necessary to take account of the change in the population's needs and views, with particular importance being assigned to enhancing the transparency of mechanisms, interdependencies and fund flows.**

The SIA's involvement in and influence on the elaboration of the practical and organisational aspects of insurance supervision in the interests of strengthening Switzerland's future as a financial hub was just as self-evident as was its contribution towards drawing up insurance legislation within the context of deregulation or necessary regulatory overhaul. This is because insurance benefits that are appropriate to the needs of the insured are not necessarily synonymous with an excessive regulatory regime. Instead, the focus should be on tracking developments at European and international level. Switzerland is, after all, not an isolated insurance island.

A second premise was taking account of people's growing fears, concerns and expectations. People have become considerably more aware of the need to protect themselves against all types of events and catastrophes as they have of the need to secure a retirement pension. They are also a lot better informed of the issue of insurers' solvency and ability to indemnify claims. Insurers passed the latter test with flying colours in the wake of the immense flood damage in August 2005. It also showed, however, how imperative a need there was for comprehensive preventive measures – in all areas of life.

The SIA is therefore focusing particular attention on expanding its prevention campaigns, the aims and activities of which have both an internal and an external impact. This is one of the reasons why the SIA has considerably stepped up its communication efforts. Society can only appreciate and have confidence in an insurance industry if it is aware of the benefits it delivers.

### **Annual report in the form of a performance review**

The SIA has measurable goals that are detailed in its leadership principles (mission statement, 2005–2007 strategy and annual action plan). The 2005/06 Annual Report thus not only aims to chronicle our association's work but also to prove how and to what extent we met our goals. The following report serves this purpose. A comparison of the SIA's aims and achievements in the year under review emerges as positive, even if some aims such as the introduction of campaign drives, guarantee of enhanced transparency and establishment of a media centre in our head office will not be fully achieved for a few years yet.

### **Consolidation of resources**

Whether a complex non-profit organisation such as the SIA is efficient and effective depends very much on it having the appropriate structures in place. Our association started to subject its spectrum of services and organisation of committees and commissions to critical review back in 2004. The findings showed that our services and structures continued to prove their worth six years after the foundation of today's SIA; all that remained was the need to combine resources in a number of areas.

Public Affairs, Public Relations and Prevention were brought together in the PPP Commission, reporting directly to the Board. The chairman of this commission is the SIA Chairman, which underscores its importance. Its remit is to ensure that the campaigning idea meets with recognition within the association. This brings Lobbying and PR closer together.

The former Human Resources, Marketing and Training commissions were likewise merged. Modern means of communication, clear-cut targets and a suitable controlling system ensure that the work

performed by the committees and commissions contribute to the SIA's success. The results of 2005 are clear testimony to this.

### **Increased specialisation of head office**

The rationalisation and consolidation of our member companies, in tandem with ever-increasing time pressure from the political arena, place constraints on the work of the SIA's "volunteers". The importance of having a professionally run head office has therefore become uppermost over the past few years, as has the need for increased specialisation: experts are needed just as much at head office as on our association's expert bodies.

This was what prompted the SIA to take on a new accounting and solvency specialist with a firm grounding in the actuarial field. It has also extended its expertise in the fields of tax law, statistics, health insurance and communications, leading to a slight increase in staff numbers, a trend that is set to continue in future.

However, specialisation not only involves broadening our staff's knowledge base and skills but also honing their abilities in other fundamental areas such as issue management.

### **An association representing all Swiss private insurers**

The integration of health insurers as a new membership group proceeded smoothly and is a valuable addition to our association. It has enhanced the significance of health – and the associated political – issues, and helped the SIA to further raise its profile as an association representing all Swiss private insurers.

By our clear demarcation of activities from those of *santésuisse* – the SIA expressly provides no services in the compulsory health insurance area – there are virtually no more interface problems between our two associations. The number of members of the SIA has increased once more, which shows that the complexity and variety of current issues make membership in the association a necessity.

**"A society is only able to appreciate and have confidence in an insurance industry if it is aware of what it actually delivers."**

### **The SIA plays a role in the practical and organisational aspects of insurance supervision**

The long-term influence of the provisions laid down for practical and organisational aspects of insurance supervision is virtually unparalleled in law. Each amendment can have enormous implications in terms of finances and personnel. With this in mind, the SIA sat on all commissions and expert groups tasked with working on amendments and changes in the supervisory area in 2005: questions of a supervisory and structural nature in the BVG area, financial market supervision and the Insurance Supervisory Act/Supervisory Ordinance (VAG/AVO) were only some of the areas covered.

A tremendous amount of work went into the revision of the AVO. Hundreds of requests and considerations had to be sifted through, weighed up, formulated and incorporated into the consultation procedure, while any uncertainties had to be ironed out with the relevant federal office. Any justified concerns on the part of private insurers with regard to the VAG and AVO were taken into account. The same applied to FINMA. The SIA can therefore confirm fulfilment of one of its main objectives, namely that of exerting an influence in the supervisory area.

### **Assistance in questions of a socio-political nature**

The SIA's assistance was sought in elaborating solutions and answering questions of a socio-political nature more than ever before in 2005. As the population's concerns about the future of their pensions remained uppermost, the SIA and other partner organisations launched the Navos project (sustainable pension provision in Switzerland) to identify the changes and new developments needed to secure the future of the current three-pillar system. The response that the project met with indicated that the SIA must move forward and implement its findings over the next few years.

The SIA also provided assistance on the question of fairness and solidarity of insurance premiums. This issue was prompted by the debate about motor TPL premiums for foreigners as well as by the ongoing discussion of unisex premiums. The issue of the introduction of risk-adjusted premiums gained support in the wake of media conferences, special workshops, meetings with anti-racist commissions and consumer organisations as well as numerous media appearances, as such premiums not only make sense from the actuarial point of view but are supported by society for their preventive effect.

However, the SIA was also able to prove that the solidarity principle is still alive and well in the insurance industry as demonstrated by the success of the concept of having a standard premium for natural perils insurance laid down by law. It would be somewhat of an exaggeration to say that all the critical voices and debates have been laid to rest, however. Media articles, letters to the editor and comments made by politicians demonstrate clearly how the issue has gained much more attention and support.

### **The limits of insurability – promoting prevention**

Another aspect of dealing with questions of a socio-political nature was the SIA's efforts to demonstrate the limits of insurability. Even though private insurers had no problem managing the financial consequences of the storms of August 2005, the need for adjustments in the natural perils area was still evident. Additional insurance solutions are required to cover other risks such as earthquakes. If all imaginable events are factored in, it is obvious that insurability has its limits, particularly when known risks cannot be prevented or at least mitigated.

This applies just as much to health insurance cover as it does to natural catastrophe or terrorism risks. Simply relying on insurance products to deal with all contingencies – as is currently the case in Swiss liability lines – is certainly far from being a viable solution. There is no escaping the need for people to accept responsibly and take preventive measures. This has prompted the SIA to massively step up its prevention drive and expand its activities to all the major lines of insurance. With its holistic prevention strategy and promising prevention projects, the SIA has already made a major contribution towards reducing costs and will continue to do so in future on a wider scale.

### **Persuasion: the key to successful lobbying**

The SIA has changed the way in which it represents the interests of the industry, replacing demands with persuasive arguments. With position papers and background information, the SIA works to convince government, parliament and the authorities of the need for change and new solutions. Despite requiring an increased workload, this strategy has proved to be worthwhile, and the arguments and position papers can also be put to use in our association's communications activities.

This new philosophy has proved successful, as demonstrated by the advances made with regard to the VAG, AVO, DSG, BVG, export risk guarantees and taxation. This is why it is absolutely necessary to maintain and build on issue management on an ongoing basis.

### **Expansion of SIA network and opening of doors to stakeholders**

As far back as 2004 the SIA opened its doors to all stakeholders, including political parties, trade unions and consumer organisations; an initiative that was continued in 2005. An association can only be successful in representing people's interests if it can convince as many people as possible of the feasibility of an idea. This opening of the association's doors strengthens our network in Switzerland, which is virtually intact (unlike networks at European and international level). This was what prompted the establishment of a network in Brussels in 2005. Success is tangible; all that is missing is for Switzerland to assume a seat in important EU organisations such as CEIOPS. But it is equally important for Switzerland to be included in EU statistics and reports. This was something the association strived for in 2005.

### **The SST: a source of impetus for the EU**

Switzerland and, by extension, the Swiss private insurance industry is well able to provide a source of impetus and ideas for the EU. Worthy of mention in this respect is the Swiss Solvency Text (SST),

Switzerland's answer to Europe's Solvency II. The SST is a model that is already in the process of being implemented in Switzerland. It has also met with interest in a number of EU countries. As the SIA is actively involved in the Solvency II Project via its participation in the CEA, it can bring to bear its valuable experience of the SST.

### **Using campaigning to reach objectives**

The SIA decided to commission a campaigning study in 2005 as a "dynamic way of steering change processes by way of communication" in order to be better able to realise its objectives in future.

The first stage was an image analysis to enable the SIA to have a better appreciation of where it stood. A widespread survey of stakeholders and the population at large clearly revealed the strengths and weaknesses of both the industry and the association. The insurance industry is deemed as being professional and competent and as playing a very important economic role as a good service provider. Nevertheless, it has some communication blind spots and is caught in a tug of war between profit optimisation and solidarity. The SIA is seen as an able and credible representative of the industry's interests that must raise its communication profile. The conclusion of the campaigning study serves as the basis for a new management strategy, which is to be approved in August 2006 and implemented within the next three years.

### **"Switzerland is not an isolated insurance island."**

#### **Communication services expanded**

Even before the completion of the campaigning study, it had long been obvious to the SIA that there was room for improvement in the association's communication efforts. Urgent measures were decided on in 2005 and put into effect during the course of the year:

- increase in the number of personnel working in the Communications Commission
- expansion of the means of external communication and information (creation of the publication *The Positions of the Insurance Industry* (in German and French) and increase in the number of technical articles published)
- expansion of statistical data
- clarification and subsequent delivery of the services needed by the press
- enhancement of issue management activities in terms of both quality and quantity.

These immediate measures have been implemented and have already borne fruit. People's understanding of the interests of the insurance industry has markedly increased – although this is far from indicating that the public is fully in agreement with all insurance industry affairs. More work is required in this regard.

### **"We will continue to strive for transparency in all lines of insurance so as to increase people's confidence in the industry."**

#### **The Insurance Industry Vocational Training Association (VBV) develops a new model**

Following the banks' decision to exit the common VBV professional training platform in order to pursue their own course, the SIA and VBV collaborated in developing an entirely new training model for the insurance industry. Upon the suggestion of the relevant bodies, the Board agreed at its January 2006 meeting on a new combination model for advanced professional training.

Staffing structures in the insurance industry are extremely heterogeneous, one example being the wide differences in requirements made of those working in the field and those working in the office. This indicates that a holistic curriculum is necessary that offers suitable training courses at all levels of professional further education.

It was therefore decided to create two curricula as part of a combined model: the introduction of a new university-level advanced insurance model and the further development of the existing modular qualification system at federal level. The insurance industry will in future have two training paths that

ideally complement each other and cover all the industry's further educational needs. In this way, the industry has bravely decided on a forward-looking solution that opens up new perspectives and places attractive training alternatives at the disposal of staff.

**2006: a test year for a liberal regulatory regime**

In 2006 the SIA and insurance industry will be called upon to deliver the highest degree of commitment and dynamism. The full revision of the Federal Accident Insurance Act (UVG) and setting of important parameters in the BVG area (lowering of the conversion rate and fixing of the minimum interest rate) will show whether the increased liberalisation of insurance conditions meets with consensus. This is one of the SIA's targets. Of no less importance to the industry are the wording and enactment of the Financial Market Supervisory Act (FINMAG), which will break new ground in bringing financial services together under one umbrella.

The insurance industry welcomes this move but is waiting to have its main demands met: rejection of a dual supervisory body and creation of a strong insurance arm. In addition to these political aims, the association will continue to strive for increased transparency in all lines of insurance so as to increase people's confidence in the industry.

Lucius Dürri, CEO

Developments in private insurance law

## New insurance legislation has entered into effect

**The Insurance Supervisory Act/Insurance Supervisory Ordinance (VAG/AVO) and partially revised Insurance Contracts Act entered into effect on 1 January 2006. + + + The calculation of target capital was addressed in the Swiss Solvency Test and placed on a legal footing. + + + Insurance intermediaries come under the supervision of the Federal Office of Private Insurance (FOPI). + + + The Federal Council issued its position paper on the new financial market supervisory bill, which is to be debated by parliament this year.**

### **VAG/AVO | – supervisory ordinance with a wide remit**

The new direction taken by insurance supervision continued to be a hot topic in the 2005 business year. This was not least attributable to the wide remit of the supervisory ordinance upon which the FOPI has asked the SIA for its position. The SIA's response within the context of the consultation process in December 2004 followed numerous meetings and discussions with the FOPI in which the insurance industry received the opportunity to present and explain its concerns. The key points of debate were the introduction and implementation of new solvency regulations, the calculation of target capital and the form that the new supervisory authority for insurance intermediaries would take. You can find details of these changes in the relevant chapters of this annual report.

Following their subsequent general overhaul, the new AVO and VAG were enacted into law by the Federal Council on 1 January 2006.

### **Partial revision of the Insurance Contracts Act complete**

The partial revision of the Insurance Contracts Act has been in effect since 1 January 2006. This does not apply to the new disclosure obligation of insurance companies, which enters into effect on 1 January 2007. As of this date all insurers must reveal their identity to clients prior to conclusion of an insurance contract, inform them of the essential content of the contract and of how their data are to be processed.

Another key feature of the revision was the new regulations pertaining to the consequences of misrepresentation or non-compliance with the disclosure obligation on the part of insurance customers. The insurer is now able to reject a claim only in the event that any information not disclosed or misrepresented upon conclusion of the contract had an influence on the occurrence or scope of a loss. Other new provisions extend to the divisibility of premiums if the insurance contract is prematurely terminated and the fate of the contract if ownership of the insured item changes hands.

**Fully revised Insurance Contracts Act in the offing** | Parallel to the partial revision, since February 2003 a federal commission of experts headed by Professor Anton Schnyder has been working on the first draft of a fully revised Insurance Contracts Act. The expert commission will submit its report and first draft to the Federal Department of Finance (FDF) during the course of 2006.

### **Information on the new insurance law**

*The SIA has published a brochure entitled "Privatversicherungsrecht – Versicherungsvertragsgesetz, Versicherungsaufsichtsgesetz und ergänzende Erlasse 2006". This brochure, which features a detailed index, is designed to help those working in the area of insurance to familiarise themselves with the new insurance law. You can order or download the brochure in German or French from [www.svv.ch](http://www.svv.ch) (under Publikationen).*

### **Swiss Solvency Test**

The Swiss Solvency Test SST is a supervisory system featuring risk-based principles and aimed at building up the target capital required to cover the risks incurred. Although the FOPI lays down economic principles that an insurance company must comply with when calculating its target capital,



it provides some leeway for insurers to develop their own internal models; indeed, it even goes as far as to encourage them to do so. In consultation with the insurance industry, the FOPI has developed a standard model based on these principles that allows small- and medium-sized insurers to calculate the risks without any undue effort.

Under the usual nomenclature, the risks to be covered are market risk, credit risk, insurance risk and operational risk; although no target capital is required for the latter risks at present, they must be assessed on a qualitative basis. This system has been enlarged upon in the VAG, AVO and AVO-FOPI and will be enacted into law as of the beginning of 2006.

### **Some 45 Swiss insurers voluntarily took part in a wide-ranging field study for the SST in 2005.**

**Building up target capital by 2011** | The primary focus is on calculating the so-called target capital, which is compared with available risk capital. The target capital is the amount that an insurer must have at the end of year to be able to settle its run-off commitments properly. A secure level of capital is considered to be the amount required to cover – in full and within the space of one year – all losses arising from a medium-sized hundred-year event, and includes any necessary transfer of the portfolio to another insurer. The available capital is arrived at by calculating the difference between assets and liabilities at market value and applying a capital surcharge for the settlement of run-off business.

In most cases, the market-level valuation frees up additional reserves required under the still valid valuation regulations based on conservative principles; these reserves can be used to cover the target capital. Depending on the company's type and size, a transitional period is available to build up the required target capital. Alternatively, the appropriate risk capital can also be adjusted by, for example, improving the congruence of assets and liabilities. In general, however, insurers are obliged to build up their target capital by 2011.

**Open issues under discussion** | The results of a broad-based voluntary field study of some 45 Swiss insurers conducted in 2005 were analysed and published in abridged form by the FOPI. The fears of a general undercapitalisation proved to be just as unfounded as did the accusation that the administration effort would be unreasonable for small- and medium-sized insurers. Open questions raised in conjunction with the introduction of the SST are to be addressed in ad-hoc working groups and summarised in the FOPI's ordinances and circulars.

With the SST, the FOPI has pre-empted a development that has been under way in the EU for some time in the form of the Solvency II Project. As things stand at present, however, the enactment of Solvency II into law is not foreseeable before 2010. The enactment of the SST has earned Swiss regulators and the Swiss insurance industry respect in the EU. Now it is just a question of carefully following the development of Solvency II and – where necessary – bringing our industry's influence to bear at an early stage to ensure that the SST is compatible with the EU's future supervisory system and does not result in any competitive disadvantages for the Swiss insurance industry.

### **Insurance intermediaries under the remit of the FOPI**

The enactment of the new supervisory law brings insurance intermediaries under the remit of the FOPI. This has come about as a result of consumer rights issues, specifically, that insureds should be protected against receiving erroneous or incomplete advice.

The Supervisory Ordinance makes a distinction between tied and untied insurance intermediaries, with only untied intermediaries being obliged to register with the FOPI. Under the ordinance, an untied intermediary or broker is anyone concluding or brokering insurance contracts on behalf of more than two companies.

**Registration by 30 June 2006** | Tied insurance intermediaries, ie those earning commission with at most two insurers may, but are not obliged to, register with the FOPI. Important in this connection is the fact that untied insurance intermediaries must register by 30 June 2006. If they fail to meet this deadline, they will no longer be allowed to conclude insurance contracts.

Registration is contingent on several conditions such as the submission of adequate professional qualifications, specific personal conditions and evidence of having concluded a professional liability insurance policy or made equivalent financial contingencies.

**VBV intermediary qualification** | To earn this professional qualification, the intermediary must either pass an examination for the title of insurance intermediary or have an equivalent qualification. The examination regulations laid down by the FOPI serve as the basis. The FOPI has passed on responsibility for implementation and enforcement of this intermediary qualification to the VBV, who have drawn up a sound curriculum that culminates in the award of this qualification. However, the FOPI is aware that the many experienced insurance intermediaries with successful track records cannot be expected to "go back to school".

Consequently, it decided to award the qualification to those who, as of 1 January 2006, can prove they have worked five years as a full-time insurance intermediary or eight years on a part-time basis. Professional experience will be accepted as sufficient basis for qualification only up to 30 June 2006; this applies to all insurance intermediaries whether in tied or untied working relationships – the FOPI makes no distinction in this regard. Those who fail to meet this deadline must undergo a course of study if they decide to register on a voluntary basis or become obliged to register following a change in their career.

#### ***Insurance intermediary supervision on the Internet***

*More details can be found in the provisions of the AVO and commensurate regulations. Information can be found on the insurance intermediaries' new website: [www.vermittleraufsicht.ch](http://www.vermittleraufsicht.ch)*

#### **En route to a new financial market supervisory authority**

FINMAG, the new financial market supervisory law, aims to bring together under one roof the supervision of banks, insurers and other financial intermediaries. This will entail merging the FBC, the FOPI and Money Laundering Control Authority into a single authority.

Whereas it was formerly argued that the merger of the different supervisory authorities was necessary in response to the international trend towards bancassurance, the key argument today is the enhanced international recognition FINMA would stand to gain as a result of the integration. As reported in last year's annual report, all that remained was the Federal Council's decision as to how to proceed further. All three reports of the Zimmerli Expert Commission were written and commented upon by the sectors affected (including the SIA).

**Management in keeping with the times** | 1 February 2006 finally marked the end of FINMAG's four-year passage through the pre-parliamentary phase as the Federal Council passed on its report and position paper to the National Council and Council of States. It was decided not to extend the prudential supervision requirement to independent asset managers in this initial phase and to permit them to continue to be self-regulatory.

The new FINMAG draft contains the following salient points: the financial market supervisory body, FINMA, will, as already provided for in the draft, take the form of a public body and be independent of any functional, institutional or financial restrictions. In keeping with the times, management will comprise a board of directors, board of management and auditors and thus meet the requirements made of a modern supervisory body.

**Regulatory principles** | In addition to these organisational issues, the draft submitted contains the principles upon which financial market regulation is to be based as well as regulations pertaining to liability and to the harmonisation of supervisory instruments and sanctions. FINMAG is an umbrella law, and the various intermediaries will continue to be subject to the regulations of their specific sectors. Banks continue to be required to meet the requirements of the Banking Law and related

ordinances, while insurers will still need to conform with the requirements laid down by the Insurance Supervisory Act and Supervisory Ordinance.

The new supervisory organisation was taken as an opportunity to streamline and harmonise sanctions. The draft contains provisions that allow the authority to confiscate illegal profits and ban culpable individuals from exercising their profession. A further example from the catalogue of sanctions is the possibility of publishing legally binding rulings against the intermediaries in question, thus enabling the authority to "name and shame" offenders.

*"The new supervisory authority and insurers are working towards a common goal: protecting the insureds and generating trust in insurance." Albert Lauper, SIA Chairman*

**No dual supervisory authority desired** | The fact that the draft departs from the principle of the dual supervisory system merits special attention. In the past the SIA has criticised the adoption of a dual approach, arguing that it would not receive the support of the insurance industry. The draft under review addresses this vital concern and no longer views the dual examination as a matter of principle but only as a possible solution. The report and position paper make explicit mention of this feature with the insurance industry in mind.

Another key concern on the part of the insurance industry was to ensure that the planned supervisory arms were staffed with seasoned and qualified experts. The SIA is of the opinion that this aspect was not given enough attention in the first draft. Unfortunately, the present draft still fails to clarify this point once and for all. This matter will not be finally settled until publication of the so-called organisational regulations, by which time the details will be available.

**No use of liability premiums for political ends**

In the year under review, the draft Medical Professions Act, Attorney-at-Law Act and Psychological Professions Act were submitted for consultation. All these draft bills aimed at making professional liability insurance cover a mandatory condition for the award of a licence to practice. The SIA argued against such a regulation, demanding that professional liability be a professional obligation, as this was the only way to guarantee that insurers were not be forced to assume a supervisory role, thereby avoiding the use of premiums for political ends.

## Developments in social insurance law

**BVG: a work in progress – upcoming revisions to the AHV and UVG**

**The debate as to the amount at which the conversion and minimum interest rates should be set in the BVG continued unabated in the year under review. + + + The 11th AHV revision was split into two separate bills + + + The IV continues to be underfunded; the Federal Council is considering raising value-added tax in response. + + + The Federal Health Insurance Act was subjected to a number of ordinance amendments, while work started on the revision of the Federal Accident Insurance Act (UVG).**

**Occupation pension provision is not yet sustainable**

The situation on the occupational pensions front has relaxed somewhat thanks in part to upbeat stock markets, as the financial status of pension fund facilities that had been obviously hard pressed at the beginning of 2005 recovered markedly during the course of the year. While some pension fund facilities reduced their technical interest rates, others switched from defined-benefit to defined-contribution models. Reported funding ratios improved, while the number of pension funds with insufficient cover declined. However, many pension funds continue to hold insufficient fluctuation reserves.

**1st BVG revision** | The applicable tax provisions entered into effect on 1 January 2006, thereby marking the gradual entry into force of the 1st BVG revision.

**Conversion rate** | Although work has been completed, there continue to be a number of pending issues, one being the conversion rate. On 25 January 2006, the consultation process began on a more rapid reduction in the conversion rate. Instead of reducing the conversion rate to 6.8% in 2014 as decided by parliament, the Federal Council suggested reducing the rate to 6.4% as early as 2011. No compensation measures are envisaged. The proposal is a compromise. The SIA would prefer the 6% conversion rate option put forward in the report as, from a purely actuarial point of view, the rate already ought to be under the 6% mark. To take account of the future increase in life expectancy, generation tables should be used as the basis for the calculation instead of period tables. It is just as important to monitor the conversion rate at regular five-year intervals. A draft is expected to be submitted to parliament at the end of 2006.

**Minimum interest rate** | The Federal Council raised the minimum interest rate for 2005 to 2.5%, despite the fact that interest rates were falling; this rate will remain unchanged in 2006.

The debate about a transparent and predictable minimum interest rate flared up once more in the past year, triggered by the parliamentary initiative launched by National Council member Adrian Imfeld (CVP/OW), which called for a minimum interest rate formula calculated on the basis of a deduction in the average return on long-term government bond. The initiative shared the line taken by the SIA and ASIP. Both associations had agreed on a formula for the calculation of the minimum interest rate which was based on 70% of the seven-year rolling average return on seven-year government bonds.

The Committee for Social Security and Health Issues in the National Council responsible for this matter supported the argument in favour of a formula and submitted a motion in this regard. This did not comply, however, with the Imfeld parliamentary initiative, but called for the inclusion of other forms of investment as provided for in Art 15 of the BVG. This threatened to eclipse the main thrust of the argument, namely the demand for a set formula, which is the only way pension facilities can pursue a long-term investment strategy.

The discussions in the BVG Commission of October 2005 failed to resolve the issue as two strong factions developed. However, most of the experts leaned in favour of the SIA and ASIP solution. Parliament rejected by a majority the motion put forward by the Committee for Social Security and Health Issues in the National Council for a formula that included other types of investment. The

minimum interest rate will thus continue to be set without the application of any clear-cut criteria from the Federal Council.

**Interest-rate-risk deduction** | The Federal Council announced in autumn 2005 that it was willing to act on a motion put forward by the Committee for Social Security and Health in the National Council to seek solutions that would protect the solvency of life insurers in the event of extraordinary interest-rate fluctuations and would not restrict the mobility of pension funds in any way. Furthermore, it must be taken into account that life insurers offer guarantees that make it necessary for them to have the commensurate risk capital and financial coverage available. If the interest-rate-risk deduction proves insufficient, the remaining insureds must pick up the costs. Draft proposals are expected to be submitted in summer 2006 at the earliest.

#### **Tax treatment of occupational pension plans**

On 10 June 2005 the Federal Council approved the amendments to the Ordinance on the Supervision and Registration of Pension Plans BVV2 effective as of 1 January 2006. These relate to provisions of a fiscal nature aimed at reducing the attractiveness of occupational pension provision for tax purposes. For the first time, the principles of occupational pension provision, ie commensurability, collective treatment, equal treatment, predictability and the insurance principle, were delineated by law. The basic minimum age for early retirement was set at 58, which takes account of increasing life expectancy as well as the interests of social partners and pension fund facilities.

Provisions have also been enacted to restrict the buy in of additional insurance years. The Federal Social Insurance Office (FSIO) has provided details of the amendments to the ordinance in a number of publications in order to allow for the rapid implementation of the tax package in 2006. The SIA has played an active role in the consultation process on amendments to the ordinance, being of the opinion that the regulations approved by the Federal Council serve, from the industry's standpoint, as a useful basis for implementing the legal provisions.

#### **Two reports and position papers submitted on the AHV**

The population's unequivocal rejection of the 11th AHV revision in May 2004 forced the Federal Council to reconsider how best to proceed. Based on the results of a hearing of the political parties and other interested organisations, the Federal Council gave the Federal Department of Home Affairs (FDHA) the job of submitting a proposal focusing on a few essential points: the introduction of a standard retirement age, pre-retirement benefits for certain groups and a slowdown in the frequency with which pensions are adjusted.

**Separate bills** | The new draft of the 11th AHV revision remained controversial during the consultation process. While some saw the draft as representing an unacceptable reduction in benefits, others viewed the introduction of a supplementary pre-pension as being an intolerable expansion in benefits. The SIA and other leading economic associations opposed the introduction of supplementary pre-pension benefits, arguing that demographic developments ran counter to such an expansion.

In view of the controversial positions, the Federal Council passed two drafts in December 2005, one on the revision of benefits, which will deal with the supplementary pre-pension, and another that will examine bringing the pension age for women in line with that for men and making the necessary technical adjustments. Splitting the 11th AHV revision into two separate bills is aimed at giving both issues the due attention they deserve.

#### **Reduction in the number of disability pension claims**

In 2005 the number of disability pension claims stood at 23 200, a 9% drop over the previous year and as much as an 18% drop over 2003. However, the number of beneficiaries rose in 2005 by 7 900, or 2.3%, to approximately 290 000. The reduction in the number of new claims can be traced back to an increase in the number of claims rejected and to a reduction in the average degree of

disability. Increased public awareness of the reintegration of the incapacitated into the working world undoubtedly played a role in this regard.

**Eight billion francs in the red** | Despite the decline in new disability pension claims the annual costs and debts incurred by the AHV continue to increase: at the end of 2005 they amounted to CHF 8 billion. Before the 5th IV revision – which is aimed at introducing measures to reintegrate disability benefit beneficiaries into the working world and tighten up the disability pension approval process – comes into force, the annual deficit is set to expand by a further CHF 2 billion. To improve the financing of the IV, the Federal Council put forward in its draft the introduction of an additional avenue of financing disability pensions: an increase in value-added tax. The draft bill has not yet been debated by parliament.

#### **Various amendments to health insurance ordinances in the Federal Health Insurance Act (KVG)**

The year under review featured a series of amendments to ordinances. The Federal Council extended the ordinance on the restriction of admission of medical providers whose services are reimbursed via the obligatory health insurance scheme. This will apply for a maximum of three years up to July 2008. The Federal Department of Home Affairs (FDHA) decided to strike anthroposophy, homeopathy, neutral therapy, phototherapy and traditional Chinese medicine from the list of treatments covered by compulsory health insurance.

From 1 January 2006 the excess for original medicines for which generic medicines exist will be increased from 10 to 20% in the absence of any medical reasons to the contrary, and where the original medicine is more expensive. This amendment to the ordinance is designed to encourage doctors to prescribe generic medicines.

**New draft Federal Health Insurance Act** | Current health insurance policy has been dominated by the new draft Health Insurance Act, in the wake of the failure of its 2nd revision in the parliamentary winter session of 2003. The Federal Council intends to bring the new Federal Health Insurance Act through parliament in the form of seven position papers split into three legislation packages. The reason for the heated parliamentary debates has been new legislation for hospital financing. The model put forward by the Federal Council is based on "dual-fixed" financing by health insurers and the cantons. The one-funding entity system put forward by the Committee for Social Security and Health Issues in the Council of States met with no support.

**Two popular initiatives** | The popular initiative "for a single health insurer" demands that the federal government introduce a single compulsory health insurer, and that premiums be fixed in accordance with the insured's financial circumstances. This would represent a fundamental change of course in the area of compulsory health insurance which would be diametrically opposed to the strategy adopted by the Federal Council and parliament. The popular initiative put forward by the SVP "for lower compulsory health insurance premiums" is also pending. The Federal Council has applied to parliament to recommend that the population reject both initiatives.

#### **Revision of the Federal Accident Insurance Act under way**

The year under review witnessed no notable amendments to legislation. Efforts were concentrated on preparatory work for the upcoming revision of the Federal Accident Insurance Act. An expert group appointed by the Federal Department of Home Affairs (FDHA) was commissioned to draw up a report on compulsory accident insurance for submission to the Federal Council. At the same time, a number of parliamentary motions on the Federal Accident Insurance Act were tabled in parliament, one of which was the motion of National Council member Norbert Hochreutener (CVP/BE) with regard to the financing of the cost-of-living allowance. This demanded that contribution to the current fund used to guarantee future pensions as per Article 68 of the Federal Accident Insurance Act (UVG) be made compulsory for all insurers.

**Clear delineation of the SUVA's remit needed** | Two revision items are of central concern for the private insurance industry. The first is the creation of conditions to encourage competition, which is necessary for companies to introduce their own premium rates. This would make necessary, for

example, the discontinuation of the current hearing process whenever rates change, as this would no longer be feasible in a liberalised market. The second item would be the delineation of the remit of the SUVA along with better clarification of the role of private insurers. Action must be taken to prevent the SUVA extending its reach to an increasing number of companies. The report and position paper on the revision of the Federal Accident Insurance Act are scheduled to be ready in 2006, meaning that the revision will enter into effect on 1 January 2008 at the earliest.

## Other legal developments in the insurance area

### From Corporate Tax Reform to the Federal Data Protection Act

**Parliamentary deliberations have started on Corporate Tax Reform II. + + + Preliminary work has begun on the revision of the VAT Act. + + + The revision of the Federal Data Protection Act has been completed. + + + The Federal Export Risk Insurance Act was passed + + + The new payroll statement is scheduled for introduction in 2007. + + + Company law and tenancy law enter into the review process.**

#### **Corporate Tax Reform II**

On 27 January 2005, the Federal Council provided basic information on its implementation of Corporate Tax Reform II. The proposals submitted by the Federal Council were far below industry expectations. In view of the stagnating domestic economy, the proposed reform steps were not considered vigorous enough to generate sustained growth.

**Consultation process started** | The Committee for Economic and Taxation Issues in the Council of States embarked on the consultation process for corporate taxation reform, deciding to separate the urgent issues of indirect partial liquidation and transfers of assets from the draft act for discussion in the Council of States 2006 spring session.

In response to criticism voiced during the consultation procedure, the committee decided that the proceeds from the sale of a 20% shareholding in a company or cooperative's share capital were to be taxed as an indirect partial liquidation if, within five years of the liquidation, the seller actively collaborated in the distribution of funds not required for operational reasons that were available at the time of the liquidation. The committee endorsed most of the original proposals of the Federal Council on the regulation of transfers of assets.

**Quasi-securities trading** | The committee also voiced its opinion on the issue of quasi-securities trading, deciding that gains on the sale of securities and other financial investments that do not form part of the business assets but are functionally related to the business operated by the tax-payer do not represent income from self-employment. This solution would result in the general non-taxation of capital gains on movable private assets.

#### **Revision of the Value-Added Tax Act (MWSTG)**

In its media release of 3 November 2005 the Federal Department of Finance (FDF) announced it had commissioned an independent tax expert to compile a report on VAT reform. The aim of the planned reform was the introduction of an "ideal" VAT rate, which would basically abolish all exceptions and introduce a standard rate applicable across the board. The expert tasked with the job has to compile a report which the Federal Tax Administration will use as the basis for the drafting of a bill to be submitted for consultation. Under current legislation, insurance and reinsurance revenues, including revenues earned by insurance representatives and brokers, are not subject to VAT. Current legislation, which is in line with foreign fiscal practice, is based on objective and socio-political considerations. Given the views expressed by the FDF, the SIA has major reservations about amending legislation applicable to the revenues earned by insurers, reinsurers, insurance representatives and brokers.

**Aiming for improvement** | In February 2006 the Federal Council announced that the Federal Tax Administration would continue its pragmatic approach to the application of the law and to this end was planning in the Ordinance on the Federal Value-Added Tax Act to reduce the red tape involved with errors of form. As long as it can be proven that the Federal Government has received the due taxes in full, no more surcharges may be levied for failure to complete the relevant forms correctly. The SIA welcomes these efforts on the part of government to introduce improvements of this kind, which are in the interests of the business community.



**Antitrust law**

On 19 December 2005 the Competition Commission (weko) passed the Resolution on Agreements of Small- and Medium-Sized Enterprises with limited effect (SME Resolution). The SIA welcomes the Competition Commission's decision not to lay down a specific number of staff or annual turnover when establishing what constitutes a medium-sized enterprise. The only factor of relevance is a company's effect on the market in question. This makes it possible to take account of size-related disadvantages of small- and medium-sized insurance companies vis-à-vis their larger counterparts and thus bring about an improvement in the competitive environment.

In consultation with the Competition Commission, the SIA is striving to have a resolution of this nature passed with regard to the insurance industry. When negotiations will be concluded is not yet known.

**Federal Data Protection Act**

In its spring 2006 session the Federal Council completed its partial revision of the Federal Data Protection Act (DSG). The central focus of the bill is the new obligation of data collectors to inform individuals when they collect data and personality profiles of a particularly sensitive nature. The new act aims at assisting in enhancing the transparency of data processing.

**New obligation to inform** | Individuals are entitled to be informed by data collection owners if personal data of a particularly sensitive nature (eg health data) or personal profiles are being processed as well as to be informed of the purposes for which they are being processed and intended recipients of the data. Those persons affected can make use of the rights extended by the Federal Data Protection Act – such as the right to information and right to amend data – only if they are aware that their data are being processed. This is the targeted benefit of the new obligation to inform.

There was no such benefit, however, in the further amendments to the Federal Data Protection Act proposed by the Federal Council in its report and position paper of 19 February 2003. Parliament fortunately recognised the shortcomings of the Federal Council's draft law and deleted completely the objection process and obligation to inform in the case of computer-generated decisions.

**Federal Export Risk Insurance Act**

On 16 December 2005 parliament passed the new Federal Export Risk Insurance Act (SERVG), replacing the current Federal Act on Export Risk Guarantees in force since 1959. The new act expands the federal government's remit in the area of export risk insurance, enabling it to insure companies against payment defaults by private purchasers ("private purchaser risk"). The new act will also bring about a reorganisation of the government export risk guarantee. The existing federal fund is to be transformed into a public-law institution and separate legal entity.

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, expansion 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 future, ie that the state insures only those risks that are not covered in the market.

**New annual payroll statement**

Following a resolution by the Swiss Tax Conference in 2004, a new annual payroll statement is to be introduced across Switzerland which will also serve as proof of payments into an occupational pension scheme. The tax authorities and Finance Directorate Conference aim to introduce the new annual payroll statement for earnings as of 2007. Pilot tests were carried out in a number of companies in 2005 and are continuing in 2006.

Fringe benefits, particularly premium discounts on insurance policies issued to staff working for insurance companies, will be handled uniformly as of spring 2006 following negotiations between the SIA and tax authorities.

**Company and accounting law in the Swiss Code of Obligations.**

On 7 December 2005 the Federal Council commissioned the Federal Department of Justice and Police (FDJP) to initiate the consultation process for the sections on company and accounting law in the Swiss Code of Obligations. The main aims of the revision are to enhance corporate governance, introduce new regulations on capital structures, update the regulations applicable to general meetings and introduce new accounting regulations. The SIA has set up project groups tasked with working on this extensive revision and will duly represent the interests of the insurance industry. The consultation process ends on 31 May 2006.

**Tenancy law in the Swiss Code of Obligations**

On 2 December 2005 the Federal Council commissioned the Federal Department of Economic Affairs (FDEA) to initiate the consultation process in the area of tenancy law. The draft deals mainly with the proposed dual system of rent fixing, which comprises the index model and rental cost model. Other important amendments apply to the newly defined applicability of provisions pertaining to protection against abusive rents, the regulations on the permissibility of raising rents when apartments change hands and the assignment of decision-making competencies to arbitration councils for litigation amounts of up to CHF 5 000. The SIA has adopted a position in this matter, as the insurance industry is directly affected by the revision given its not unsubstantial real estate holdings. The consultation process ended on 31 March 2006.

## Legal developments in the European Union

### Solvency II and IFRS – two widely debated issues in Brussels

**Solvency II has entered into an important phase, with the first directive expected in July 2007. + + Even after introduction of the IFRS insurance standard, discussion on the new accounting guidelines continues. + + + Two initiatives aim to harmonise European contract law. + + + The European Parliament's Reinsurance Directive 2005/68/EC has entered into force.**

#### **Solvency II enters into an important phase**

Like its regulatory counterpart in the banking sector, Basel II, the Solvency II Project has entered into an important phase – despite a somewhat long-and drawn-out start. In line with the Lamfalussy process being applied, a preliminary regulatory framework for establishing a future solvency system for all lines of business is to be drawn up by July 2007. The body entrusted with the task is CEIOPS, the Committee of European Insurance and Occupational Pension Insurance Supervisors, which also numbers among its members representatives from countries with observer status. Switzerland does not have a voice given its non-membership of the EU. However, it does have some influence at association level via the relevant bodies of the umbrella association European Federation of National Insurance Associations (CEA), which submits guidance and recommendations to CEIOPS.

**Three pillars** | Three consultation phases will be devoted to discussing key issues related to the three pillars upon which the solvency regime is to be based: pillar 1 relates to solvency capital requirements; pillar 2 to the supervisory monitoring process; and pillar 3 to guidelines on achieving market transparency. The views of all manner of interest groups are to be addressed in a transparent consultation process. The Swiss Solvency Test will also be subjected to close scrutiny. Local requirements and usage are to be taken into account wherever possible so as to guarantee a level playing field for all European market participants.

In the year under review, a field test was conducted to establish the amount of technical provisions necessary from an economic point of view. The results are expected in the first half of 2006. CEIOPS is developing in parallel a second field test devoted to calculating risk capital, which will be launched in spring 2006. The results are expected in October 2006 so as to enable any important insights from both field tests to be factored into the framework directive.

**Development of a standard model** | One current priority is the development of a standard model to calculate the capital required to cover risks that takes account of consistency across lines, the exploitation of diversification potential and reinsurance contracts. This includes the problem of calculating solvency capital and establishing the link to future IAS accounting guidelines, which are likewise still at the project stage. Another project focus is the definition of surplus capital as part of the supervisory regime and future cooperation between the supervisory authorities in respect of insurance groups in different countries (individual or group supervision).

The Solvency II Project is seen as being extremely ambitious and demanding; the aim after all is to create, within a relatively short period, a modern and robust supervisory regime tailored to Europe's needs. It is therefore not surprising that a lot of capacity is tied up dealing with the large amount of work involved. Switzerland can make a valuable contribution by drawing on its experience with the SST. It is therefore in the country's interests to use the appropriate channels to exert an influence on the project and thereby contribute to its success.

**IFRS – still a lot of work to do**

The debate about new accounting guidelines for the insurance industry did not cease with the introduction of IFRS 4 and IAS 39 insurance standards in 2005 but resumed in April 2005 with an International Accounting Standards Board (IASB) meeting focusing on life insurance. A report by the International Actuarial Association (IAA) on renewal premiums and discretionary participation features of life insurance contracts was a key issue at the meeting and is still being debated by the industry today.

However, there are two other key issues being discussed by the IASB.

The IASB's Insurance Working Group was commissioned to examine the issue of discounting and the possibility of factoring in risks and uncertainty to the valuation of liabilities in the non-life area. There were initially four models under discussion. The working group decided in May 2005 that work should continue only on the models featuring the discounting and risk-margin elements.

**CFO Principles** | The so-called "principles" drawn up by the CFO Forum in mid-2005 also provided food for thought. In July 2005 the CFO Forum of the European Insurance Industry agreed on, and subsequently published, its common principles for a future insurance accounting model for the second phase of the IASB Insurance Contracts Project ([www.cfoforum.org](http://www.cfoforum.org)). The compilation of this paper made a constructive contribution to the present debate with the IASB. The CFO Principles are of a general nature, however, and are currently being put into concrete form. It would therefore be desirable for the European insurance industry to form a united front and come out in support of the IASB.

**Issues under discussion** | There are still a lot of question marks surrounding IFRS, with eleven issues still being debated. However, the representatives of the IASB, the supervisory authority and the insurance industry are nearing a consensus. Further discussions of the issues at hand will take place primarily in the IASB Insurance Working Group and CFO Forum.

The results of the IASB pronouncements on non-life and life insurance are set to be included in a preliminary discussion paper that will probably be ready for submission in the second half of 2006. This constitutes a renewed postponement of the publication deadline. The exposure draft will not be published before the end of 2007 or even 2008, while the final standard is scheduled for the end of 2008 or beginning of 2009, and will apply from 2010 at the earliest.

***Websites for further information***

*CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors):*  
[www.ceiops.org](http://www.ceiops.org)

*IASB (International Accounting Standards Board):*  
[www.iasb.org](http://www.iasb.org)

*IAA (International Actuarial Association):*  
[www.actuaries.org](http://www.actuaries.org)

*CFO Forum of the European Insurance Industry:*  
[www.cfoforum.nl](http://www.cfoforum.nl)

**Efforts made to harmonise European contract law**

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

Since 1999 a private group of experts comprising professors from a number of European universities has been working on a restatement of European contract law, while the European Commission has been working on harmonisation of a more extensive nature. According to its announcement of 11 October 2004, the Commission aims to draft a common frame of reference that contains the provisions of general contract law as well as two specific types of contracts, namely sales and insurance.

Since May 2005 a network of experts, including the restatement group, has been drafting a common frame of reference for insurance contract law. The results will be presented to the European Commission during the course of 2008.

**Solvency safeguards for insurance companies**

The European Commission has been seeking for some years to harmonise the solvency safeguards in place for insurance companies. The focus is on protecting the insured against the financial consequences of an insurer's insolvency.

The Commission convened for a further session to discuss the issue on 12 December 2005. The resulting working paper revealed that, in the view of the Commission, the member states should be obliged to put safety systems in place for the event of insolvencies of life and non-life insurers. According to this working paper, an insurance company's membership in a safety system should be a precondition of their being able to operate and obtain a licence. The Commission will decide during the course of 2006 whether to draft a corresponding directive.

**Codification of insurance directives**

A number of insurance directives regulating primarily questions of a supervisory nature – among which are those governing life and non-life business – exist at European level. These directives are currently being extensively codified as part of the Solvency II Insurance Project. Without renegotiating existing EU law, the sixteen insurance directives are to be merged into one new insurance directive.

**Reinsurance Directive**

Reinsurance Directive 2005/68/EC of the European Parliament and Council of 16 November 2005 has entered into force. The Community member states have until 10 December 2007 to make the appropriate adjustments to their legal and administrative provisions.

In line with standard EU provisions, this directive subjects reinsurance companies to supervision by the competent authorities of the member state where they have their head office. It also permits these authorities to issue the reinsurer a single licence to conduct business under the right of establishment or the freedom to provide services throughout the EU.

This directive aims to make it possible for reinsurers to negotiate agreements with third countries as to the means of exercising supervision over reinsurance companies that have their head offices situated in a third country and conduct reinsurance business in the EU.

## Life insurance

### **Improved technical results in life business and the combating of money laundering by the SIA's Self-Regulation Organisation (SRO-SIA)**

**Growth in the number of unit-linked policies. + + + Decline in group business. + + + The fight against money laundering continues to be assigned top priority. + + + The SRO-SIA makes an important contribution towards maintaining the integrity of the insurance industry.**

Premium income from life insurance continued to be affected by low interest rates in 2005, with individual and group business not being able to sustain their previous-year's levels. However, investment returns were a marked improvement over the previous year due to more buoyant stock markets; the industry also profited from better technical results.

#### **Individual insurance**

Premium income in the individual insurance segment registered only a slight decline in 2005, with annual premium business barely positive and single-premium policies clearly negative. A closer look reveals that both annuity insurance and capital-sum insurance registered a decline, while unit-linked policies – for both annual and single premiums – experienced a substantial increase given the upbeat stock markets.

#### **Group insurance**

Group insurance continued to decline, with single-premium business hit particularly hard (-12%). Recurring-premium business, in contrast, registered a more satisfactory development, declining by just over two percent. However, the performance of individual insurance companies varied considerably. It must be noted that the decline can be attributed to some extent to some companies exiting group business altogether, while others have started to offer new types of insurance which enable them to carry the savings component of premiums off the balance sheet. The parameters in compulsory statutory occupational pension plans are still not quite satisfactory. The minimum interest rate continues to be set without a formula and not on the basis of the deduction principle of a rolling average of long-term government bonds. The conversion rate for statutory occupational plans continues to be too high. Yet, conditions improved in 2005 due to better investment income and the application of correct technical parameters in the area of supplementary pension cover.

#### **Genetic testing**

The enactment of legislation with regard to genetic testing has an impact on life insurance cover. Insurers may not enquire about genetic testing conducted in the course of pre-symptomatic examinations except in the case of term-life policies in excess of CHF 400 000 and disability insurance in excess of CHF 40 000. An SIA working group has drafted a guide to be used by companies when implementing the new article.

Legislation in other areas will probably delay the enactment of the provisions on genetic testing in humans until the beginning of 2007.

#### **Money laundering and self-regulating organisation**

Combating white-collar crime is an issue of international relevance. The soundness and integrity of credit and financial institutions – not to mention confidence in the financial system – are jeopardised by efforts to disguise the origin of criminal proceeds or to channel money for terrorist purposes.

**Developments in the EU** | The European Union has stepped up efforts to combat money laundering and the financing of terrorism. The European Parliament and Council adopted the Third Money Laundering Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. The Directive is an expansion of existing EU legislation and incorporates into EU law the revised 40 Recommendations of the Financial Action Task Force (FATF). The Third Money Laundering Directive is valid for the financial sector and other important service

sectors as well as for all providers of goods in cases where payments are made in cash for amounts of EUR 15 000 or more.

**Increased due diligence** | The Directive establishes detailed rules for due diligence vis-à-vis customers, including enhanced due diligence for high-risk individuals or business relationships. Appropriate procedures have been introduced to determine whether a person is politically exposed. Institutions and persons subject to this Directive are obliged to establish their own preventive systems, which includes ensuring that their staff receive the requisite training. As the tightening of controls in the financial sector has prompted money launderers and terrorist financiers to seek alternative methods for concealing the origin of the proceeds of crime, the anti-money laundering and anti-terrorist financing obligations should be extended to cover life insurance intermediaries. The EU member states are obliged to implement the Third Money Laundering Directive, which supersedes the current Directive, by the end of 2007.

**Swiss federal government level** | A preliminary draft law on the implementation of the revised FATF recommendations met with strong criticism during the consultation process in Switzerland. Statements made by the business community reveal that the draft process has not yet reached the enactment stage. There is consensus that having robust defence mechanisms in place to combat money laundering and terrorist financing will continue to be attributed major importance for Switzerland's standing as a reputable financial centre. Some of the measures drafted were regarded as too far-reaching, particularly those relating to the introduction of more stringent counter-measures.

**A reputable financial centre** | The SIA welcomes the FATF recommendations in principle, as they are in line with the industry's efforts to promote a reputable financial centre and to continue to be vigilant in its combating of money laundering and terrorist finance. Some leeway should be permitted in implementing these international standards, however, and increased bureaucracy should be avoided at all costs. The costs and benefits must be in reasonable proportion and the competitiveness of Switzerland as a financial centre must not be compromised unnecessarily. What is more, the revision of the Federal Money Laundering Act should be in tune with the EU's Third Money Laundering Directive.

The draft legislation is currently being reviewed. The Federal Council will take additional factors into account when deciding on the future draft legislation process, one of these being the result of the third FATF Mutual Examination Report of Switzerland.

The Federal Council issued its report and position paper on the Federal Financial Market Supervisory Authority (FINMA). The system of self-regulation of financial intermediaries has proved a feasible option and is to be retained in the new law. The Federal Council requests that FINMA support self-regulation and provide companies with the necessary latitude where it deems this to be useful. The SIA views these plans as positive.

The revised Financial Market Supervisory Act (FINMAG) came into effect on 1 January 2006, with the exception of the governance of intermediaries under the Federal Money Laundering Act.

The revision of the Ordinance of the Federal Office for Private Insurance (FOPI) Pertaining to the Combating of Money Laundering is still under way. The supervisory authority intends to analyse and take account of the results of the FATF Mutual Examination Report of Switzerland in a revised ordinance.

**SRO-SIA** | A meeting took place in April 2005 between a FATF delegation and SRO-SIA representatives within the framework of the Mutual Examination Report of Switzerland, which was drawn up on the basis of the revised and tightened FATF recommendations. The FATF found particular fault with the absence of an external audit of subsidiaries to verify adherence to money-laundering regulations and with the absence of regulations on combating the financing of terrorists and on dealing with politically exposed persons. Prior to this report the SRO-SIA had already carried out preparatory work on regulatory revision and had prepared applications for the supervisory authority, which approved the new regulations on external audits and on dealing with politically exposed

persons. The regulations came into effect on 1 January 2006. The Ordinance on the Combating of Terrorist Financing is scheduled to come into force on 1 July 2006 following its approval by the FOPI.

**Lively debate** | SIA head office responded to numerous queries from members. The questions were mainly related to the governance of insurance intermediaries by the Federal Money Laundering Act, the admission of individual persons to the SRO and interpretation of the regulations. Responses of a fundamental nature are published in excerpt form in *SRO-SIA News* (see box).

During the year under review, member companies filed seven reports with the Money Laundering Reporting Office (MROS) of cases of suspected money laundering. The number of reports filed has thereby remained virtually unchanged since 1998 and is substantially lower than for other financial intermediaries.

The battle against organised crime is an ongoing concern for all financial intermediaries. It extends across borders and aims at safeguarding the reputation and stability of financial systems and thus the standing of the financial sector at national and international level.

**Heightened awareness and ongoing training** | The relevant bodies of the SRO-SIA, member companies and staff at all levels are aware of the significance of the combating of money laundering and terrorist financing. Heightened awareness and ongoing training make it possible to implement preventive measures and issue sound regulations based on everyday experience. These are subject to regular review and adjusted in line with changing conditions. The SRO-SIA places its experts at the disposal of its members and the authorities to help draw up regulations, thereby making a significant contribution to preserving the integrity and stability of the insurance industry.

***Downloads on the SRO-SIA***

*The SRO-SIA annual report, statutes, regulations and remarks on the regulations can be downloaded in German and French from [www.svv.ch](http://www.svv.ch). The SRO-SVV News newsletter is available in German and French and provides information on current money-laundering issues.*



## Health and accident insurance

### Joint agreements and successful preventive measures

**The SIA discontinues recommending compulsory accident insurance tariffs to its members. +++ Agreement on portability of daily benefit insurance simplified. +++ Closer collaboration between daily benefit insurers and the Disability Insurance Scheme (IV). +++ Successful prevention projects *Headlights on During the Day* and *Monday Night Light*. +++ Good use made of the preliminary medical documentation form for whiplash. +++ Swiss Insurance Medicine (SIM) and the Academy of Swiss Insurance Medicine (ASIM) pledge to improve the quality of insurance medicine.**

Based on daily practice and consultation with the supervisory authorities, the SIA has traditionally issued UVG tariff recommendations to its member companies, the last of which was in the area of non-occupational accident insurance on 1 January 2005. To avoid any antitrust concerns, the SIA decided after consultation with the Competition Commission to discontinue making such recommendations. Companies will be able to set their own individual tariffs from 1 July 2007 at the latest.

The former two portability agreements on group daily benefits insurance between SIA members and between the SIA and *santésuisse* were merged into one in the interests of simplifying its application. The aim of the portability agreement is to prevent any gaps in coverage when insureds change their insurers.

In response to the growing number of disability pension claimants, the IV offices and daily benefits insurers concluded an agreement in the year under review aimed at creating conditions for as rapid a re-entry into the working world as possible for those unfit for work, thereby preventing them from becoming permanent invalids.

#### Prevention projects

In the year under review, the SIA continued its intensive work in the area of prevention, centring its efforts on the following two projects:

*Headlights on During the Day* is the follow-up to the *bfu* SIA campaign entitled *Turn your Motor and Your Lights on*. The aim of the two projects was to increase the number of people driving with their lights on during the day. Driving with headlights on during the day can bring about a sharp reduction in road accidents: an average decline of 25% in the number of fatal collisions occurring during the day could be expected in Europe. In Switzerland this could translate into a reduction of up to 40 in the number of fatalities and some 2 800 fewer injured persons.

**Reasonably priced safety lights** | The *Monday Night Light* campaign was also dedicated to the subject of light, and was prompted by the emergence of inline skating as a popular sport. Safety padding, joint shields and helmets have become part of the standard kit of every skater. The lack of adequate safety lights continues to be an issue and constitutes a considerable safety risk. This was the subject of the SIA's *Monday Night Light* campaign for skating events, which involved the distribution of reasonably priced safety lights. Alongside its activities in actual prevention, the SIA also lobbied for the topic at political level. In spring 2005, working in collaboration with *santésuisse*, the SIA presented a model of how to organise prevention measures more efficiently in Switzerland. This was taken up by the Federal Department of Home Affairs (FDHA), which appointed a commission of experts to draw up a new draft prevention law.

#### Medical Service

**Congresses and conferences** | A course on expert medical opinions in the area of compulsory accident insurance was held in May under the aegis of the Swiss Medical Association and with the organisational assistance of the SIA Medical Service. In December a course was held that examined the problems of making expert diagnoses in the grey area between the psyche and the soma within the context of the Federal Accident Insurance Act (UVG). The traditional medical conference for the consulting physicians of the SIA was conducted in Bern in November 2005, of which the main theme was cartilage damage and current therapeutic options. The main conclusions of the conference were that there is no medical evidence to support the benefits of injecting hyaluronic acids as a treatment for secondary gonarthrosis and that cartilage repair surgery calls for seasoned specialists who are trained in all the relevant techniques and who do not define too narrow a range of indications for an osteotomy. It was also shown how insurance medicine can gain a foothold in the medical community via e-learning programmes and how a computer-aided instrument can be used to make calculating damage to the body's integrity more plausible.

**The whiplash issue** | 2005 saw the publication by the European Federation of National Insurance Associations (CEA) of a comparative European study of minor whiplash claims. Although Switzerland is in the middle of the ranking tables in a European comparison of the number of claims, it ranks first in a comparison of the costs per average claim, incurring EUR 35 000 compared to the European average of EUR 9 000. The surveys carried out by the accident insurers' statistical unit reveal widely different findings between German- and French-speaking Switzerland: claims costs doubled between 1990 and 2002 in French-speaking Switzerland, while they increased to a far greater degree in German-speaking Switzerland – namely fivefold.

The enormous differences are not attributable to disparate cost or cultural differences alone in the areas under examination. The reasons are to be found in differences in judicial systems, legislation on the establishment of a causal link between the accident and non-objective complaints, and in the different processes in place for the provision of medical expert reports in the individual countries. To bring the upwardly spiralling costs of whiplash under control, Switzerland must establish clear guidelines in these areas, eg by allowing only specially trained and certified doctors to be employed as medical experts for disability cases. Installing in-car crash recorders and establishing an accident velocity limit ( $\Delta v$ ) with a biomechanical assessment would also help ease the cost situation. Such amendments would lessen the burden on insurers and insureds, the latter of whose premiums at the end of the day have to finance the high cost of whiplash-related claims.

**Preliminary documentation form** | At the beginning of 2005 all preliminary documentation forms received by insurers relating to cervical acceleration/deceleration (CAD) were collected for the duration of a quarter and sent in anonymous form to the SIA. 1 850 forms were entered in the system and subjected to statistical evaluation.

The preliminary documentation form on the whole seems to be a good way of gaining detailed information at an early stage of a CAD case, although a number of modifications proved necessary. In March 2006 the SIA Medical Service conducted a major mailing campaign aimed at the medical community to remind doctors to use the slightly modified preliminary documentation form. This campaign aims to encourage doctors and insurers to use the form more often and to take a more disciplined approach in this area. The objective remains to nip potentially chronic cases in the bud.

**Rehabilitation clinic guide (Rehaguide)** | In October 2002 a platform was launched with the name of the *Reha-table* (Reha-Kataster), designed to help patients rapidly find a suitable rehabilitation clinic. The table met with little recognition and offered only limited search facilities. To overcome its shortfalls and to expand the platform, the table was revamped and its name changed from "table" to "guide". The new-look *Rehaguide* went live at the end of October 2005 and can be found at [www.rehaguide.ch](http://www.rehaguide.ch).

**Swiss Insurance Medicine** | The SIA also worked this year on further expanding Swiss Insurance Medicine (SIM) by collaborating in a wide variety of working groups and assuming the presidency of SIM in September 2005. It was also involved in the establishment of the first Insurance Medicine

Academy in Switzerland at the University Hospital in Basel ASIM. The quality of insurance medicine will be thus improved with SIM and ASIM and be firmly anchored in further training and education in the medical community.

### **Medical fees in compulsory accident insurance (UVG)**

**New division of costs** | The Medical Fee Commission under the Accident Insurance Act was founded by SUVA, private insurers and health insurers at the end of 1983 with the remit of working together to clarify a medical fee policy and of negotiating fees with medical service providers. The costs of some CHF 4 million are shared between compulsory accident insurers according to their share of the costs laid down by the Federal Accident Insurance Act, but only the medical costs incurred during the financial year. From 2006 this will include all medical fees, which will reduce the share assumed by private insurers and increase that of SUVA by around 10%.

**Splitting compulsory accident and supplementary accident insurers** | A large number of hospital consultants charge patients private rates for supplementary accident insurance without indicating the share of the fees assumed by the compulsory accident insurer. The compulsory accident insurer comes off too well in such a case, which is particularly problematical if the supplementary compulsory accident insurer is not the compulsory accident insurer (eg SUVA). The SIA discussed the matter with the hospital consultants' association SBV, which subsequently informed all UVG hospital consultants of the correct method of billing. At the same time, the SIA informed companies that supplementary accident insurers were within their rights to reject payment of erroneous bills submitted by hospital consultants.

#### ***For printing or downloading***

*You can find a printable version of the preliminary documentation form and application form for life insurers at [www.med.svv.ch](http://www.med.svv.ch). There you can also find the CEA study in English and German under HWS/Studie. Information about rehabilitation clinics can be found at [www.rehaguide](http://www.rehaguide).*

**Lump-sum case rates and Swiss Diagnosis-Related Groups** | Some 70 hospitals opted to switch to diagnosis- and case-based rates (APDRG lump sums: All Patient Diagnosis Related Groups), a move which reduces any temptation for insureds to extend their hospital stays. Compensation is based on consumption and not on a fixed daily amount. A benchmarking tool was introduced from mid-2005 designed to evaluate and rank the hospitals (based on basic price).

Cantons, hospitals, social insurance providers and the medical community have joined forces to adopt nation-wide lump-sum case rates as part of the Swiss DRG project, which is the Swiss version of the German G-DRG project. Although originally scheduled for completion by the end of 2007, the project is expected to be delayed to allow for the French and Italian translation and the adaptation to Swiss practice. Hospitals will probably only be able to invoice the new lump-sum case rates from 2009.

## Property and casualty insurance

### At the service of customers and the entire economy

**In terms of insured losses, 2005 went down as the costliest year ever in Switzerland's history. + + The private insurance industry paid out CHF 1.3 billion in flood claims. + + + A project group is working on the first nationwide earthquake insurance cover. + + + Car insurers come off well on the Internet + + + Decline in liability and marine premiums.**

#### Property insurance

Fortunately, premium growth in property lines increased again over the previous year in fire/business interruption insurance. This may be interpreted as a sign that the market has managed to force through risk-adequate premium rates despite the fierce competition.

In the special lines theft and water damage, insurance premium growth remained on a par with the previous year, while growth in glass insurance unfortunately suffered a decline. The overall claims burden in the property area (with the exception of theft and glass) has risen, which indicates the need to step up prevention efforts.

#### Natural perils insurance

The storm damage wrought in August 2005 generated an unprecedented claims burden of lasting impact and has made the public aware of the potential threat posed by natural perils in Switzerland. Of the just over CHF 1.3 billion paid out by private insurers for insured damage, around CHF 95 million was covered by contents and building insurance under natural perils insurance policies (integrated into the Supervisory Ordinance since 1 January 2006). It is not least thanks to reinsurance recoveries that these claims could be paid in full, thereby obviating the need to resort to the limits set down in the Ordinance Pertaining to Natural Perils.

**Passed the test** | The concept of natural perils insurance based on the solidarity of insureds and insurers in Switzerland, which is without equivalent anywhere else in the world, has thus once again passed the test with distinction. It became all the more clear, however, how crucial it is to substantially raise the current cover limits in the interests of both the insured and the insurers. This in turn requires an increase in premium rates for natural perils insurance. The aim is to keep this increase as small as possible, which is possible by adjusting retentions, which have remained unchanged for more than 20 years.

**Natural hazard maps needed for the whole of Switzerland** | The storm damage has demonstrated the need for major action in the area of prevention. A first vital step is to finally acknowledge the need for natural hazard maps for the whole of Switzerland. These would help ensure that regional planning and development actually take natural hazards into account. The question also arises of whether additional powers in the area of natural hazards protection should be transferred from the cantons to the federal government. A case in point is flood prevention, where it is obvious that flood water and its hydrological catchment areas have no respect for cantonal borders.

But the individual insureds can also make a contribution towards loss prevention, especially with regard to risks that are subject to major flooding exposure.

#### Earthquake insurance

Although Switzerland has only medium exposure to earthquakes in an international comparison, earthquakes remain a latent danger. It therefore follows that this area is also in need of insurance protection. Current coverage is unsatisfactory: although the cantonal building insurers and private insurers voluntarily compensate for earthquake damage to buildings, and building owners have the option of insuring their properties against earthquake damage, very few people make use of this option. This is due in part to the fact that this type of insurance is relatively expensive and – above all – that property owners are too little aware of their exposure to earthquakes.

**Joint project group** | The private insurance industry recognised long ago that the problem was only to be solved by introducing widespread earthquake insurance similar to natural perils insurance. The most suitable answer would obviously be to work with the cantonal building insurers on developing a Swiss-wide solution. This prompted private insurers to place their project on the back burner and focus on developing a Swiss-wide solution. During the course of 2005, a joint project group comprising representatives from the FOPI, the cantonal building insurers and private insurers laid down the conditions and framework for the realisation of standard, Swiss-wide earthquake insurance cover. This will now serve as the basis for the elaboration of the project in detail, with the aim of introducing coverage on 1 January 2008.

**Encouragement of compliance with SIA code 261** | Earthquake risk continues to be attributed too little attention, even in building construction. Although the structural codes set down by the Swiss Society of Engineers and Architects include one relating to the seismic vulnerability of buildings (SIA code 261), the code is not mandatory and is thus complied with very rarely in the construction industry, despite the fact that compliance would raise construction costs by only about 1%. The Swiss-wide earthquake insurance project aims to encourage compliance with SIA code 261 by means of appropriate measures.

### **Motor insurance**

The number of new car registrations, a key factor in motor insurance business, has been on the decline in recent years. In the year under review, the number of new cars on the road fell to 260 000, down by some 3.6% over the already weak previous year. Industry experts expect the average life of a car on the road to keep on rising: approximately 1.1 million cars on the road are already more than 10 years old.

**Rise in premium income** | Despite this development, which is unfavourable for the insurance industry, the findings of a preliminary survey of motor insurers indicate that in 2005 premium income for motor own damage rose by some 3.9% and by 5.2% for motor third party liability. These increases reflect the higher premiums charged by a number of companies in this, one the most important lines of non-life insurance; in fact, motor insurance makes up a quarter of premium income.

**Satisfied customers** | The significance of motor insurance prompted one Internet comparison service to ask policyholders to rate their insurers. The results revealed that car insurers were rated as being good to very good. The ratings included general satisfaction with the insurer, staff competence and availability, claims handling and premiums.

Motor insurance business is strongly influenced by the incidence of road accidents, the number of which reported to the police has constantly been declining in recent years. Statistics also confirm that the number of accidents involving serious casualties and fatalities is also falling. In contrast, insurers have registered an upward trend in the number of amounts indemnified in excess of one million Swiss francs. These major claims are more often than not the result of whiplash injuries, whose chronic nature generates considerable costs. Insurers therefore support measures aimed at avoiding such cases as much as possible.

**Financing of "Via sicura"** | The federal government's "Via sicura" Project aims to bring about a sharp reduction in accidents involving serious injuries and deaths. While insurer generally favour implementation of the package of measures, they expect additional sources of financing to be found to the planned motor insurance premium surcharge.

**E-insurance card** | A milestone was achieved in motor insurance administration in the year under review. As part of a complex project involving insurers, cantonal vehicle registration authorities, federal government and several IT companies, the first e-insurance card was transmitted from a pilot company to a cantonal vehicle MOT facility. The e-insurance card will gradually replace the traditional paper version. The new procedure vastly enhances data quality and, moreover, reduces costs. All

motor insurers and cantonal vehicle registration authorities should be participating in the project by the end of 2007.

### **Liability insurance**

The positive trend in premium income over the past few years continued into 2005, albeit at a lower rate (2%) than the previous year. The prevailing trend in the number of claims and the claims ratio (number of claims as a percentage of premiums earned) was reversed, with both figures down on the previous year.

### **Marine insurance**

Premium growth in marine was unfortunately lower than in the previous year.

Of course, this development has to be viewed in the context of the low volume of business accounted for by this line. The number of claims remained stable on the whole. From a technical point of view, special mention should be made of how quickly the General Conditions of Marine Insurance on Goods (GCM), the heart of marine insurance, were revised and amended to meet customers' needs.

In addition, the Marine Expert Commission is currently drawing up plans to promote loss prevention. Given the rapid rise in crime witnessed in the field of international marine cargo, the use of technical prevention measures is an absolute necessity.

### **Engineering insurance**

This likewise small line of business in terms of volume reported a smaller decline in premiums over the previous year, with the number of claims remaining, on the whole, stable.

In response to rapid innovation in all sectors of commercial and industrial technology, the Engineering Insurance Expert Commission is conducting an ongoing analysis of new production and application processes that are giving rise to new risks. They are also reviewing and further developing the existing risk structures.

### **Legal protection insurance**

The growing importance of legal protection insurance continued to make itself felt this year. Gross premiums amounted to CHF 284 million, 5.5% higher than in the previous year, although claims costs, too, rose in 2005 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, a trend in part attributable to the growing complexity of the law.

## Public relations work

### Self-confident image inside and outside the association

**Enormous interest and intensive media work after the floods in August 2005. +++ 3 500 sign up for the SIA newsletter. + + + Extranet now features Issue Management. + + + Publication on insurance questions. + + + Inline skaters sport safety lights and the SIA logo. + + + FORUM@insurance off to a good start.**

Public relations work is a key element in the SIA's integrated communication policy and in helping the association attain its goals. 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.

#### Intensive media work

The floods of August 2005 confronted insurers with losses of unprecedented proportions. The communication of this event posed a major challenge to the SIA. More than one hundred members of the national and international press, television and radio closely followed the information that had been carefully prepared by the association. One week after the floods, the SIA organised a media conference, which met with enormous interest. The central issues of the conference were the claims burden and questions of a technical nature. The SIA also took the opportunity to make the public aware of the Natural Perils Pool and to underline the industry's economic importance.

More than 40 Swiss and foreign journalists attended the SIA's annual media conference on 25 January 2006. Despite the record losses caused by natural catastrophes, the SIA projected the image of a self-confident private insurance industry in sound financial health.

**Media talks** | The SIA held a media event in Bern prior to each of the sessions of the National Council and Council of States and briefed the federal parliament press corps on the insurance-related issues that were scheduled for debate, along with the association's positions on them.

The second media conference of the insurance associations of Germany, Austria, Switzerland and Liechtenstein was held in Vienna in January 2006 and focused on the issues of Solvency II and the Swiss Solvency Test. It once again attracted the attention of the media from all four countries.

The SIA vastly extended its network of personal media contacts in the year under review, giving background interviews on various current issues.

The SIA's media office receives queries from journalists on numerous insurance topics. Its target is to rapidly deliver information and clearly communicate the association's stance. SIA Chairman Albert Lauper's columns in *Schweizer Versicherung*, too, regularly provoke media interest.

#### *SIA Internet*

*Media, opinion leaders and the general public can find a wealth of information as well as the SIA's stance on issues on its website, where its publications and newsletters can be ordered: [www.svv.ch](http://www.svv.ch)*

**Sign up for the SIA newsletter** | The SIA has been producing a weekly electronic newsletter (in German) since May 2005. 3 500 subscribers already take advantage of this service to remain up to date on current developments in the private insurance industry. The SIA website, which is constantly updated to reflect the latest news and opinions, is also registering a growing number of hits.

#### Issue Management

Issue Management is a system on the new SIA extranet designed to help our member companies keep track of political, legal and economic developments and subsequently 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.

### ***SIA extranet***

*All employees of our member companies have access to the extranet. Simply log in under: <http://extranet.svv.ch>*

*Members of our association's expert bodies also have access to dedicated electronic offices.*

**Extranet allows interactive exchange of information** | The SIA's extranet plays a key role in the exchange of information among the SIA's individual expert bodies and between these bodies and its head office. It also ensures the flow of information from the association to employees working in the private insurance sector. The SIA's electronic information and work platform has been improved since April and now offers a number of new features. Contact data for all SIA expert bodies and their members can be called up in "Who is who", a practical address database. The well-known "Office" and "Inside" modules are also to be found on the new extranet. They streamline the work of the SIA's expert bodies and provide access to important resources.

### **Popular publications**

In the year under review, the SIA once again published a range of publications targeting different groups. They are listed on the SIA website, where they can also be ordered or downloaded.

*Positions of the Swiss Insurance Industry* (in German and French) once again appeared four times in 2005, each time prior to a parliamentary session. It is targeted primarily at members of parliament, authorities, media, political party secretaries, members of the SIA's expert bodies (committees, commissions, working groups), the 140 association secretaries as well as chambers of trade and industry.

*70 Questions about Insurance* (in German and French), a practical consumer guide, attracted wide interest. This brochure is a collection of questions and answers on all lines of insurance that have been dealt with over the years by a team of SIA experts in the Sunday press.

*Facts and Figures* was published once again in time for the traditional media conference in January. This small brochure, available in English, German and French, contains a lot of useful figures.

A printed version of *Private Insurance Law – VAG/VVG and Supplementary Decrees* is available in German. This publication is in great demand by our member companies and external bodies. The French version can be downloaded from the Internet.

*About Us* is a portrait of the SIA and was reprinted in the year under review. The brochure provides a short overview of the SIA's remit and aims, and naturally lists all member companies as well as details of how the association is organised. It is available in English, German and French and can be downloaded or ordered from the SIA website. It is designed 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 familiar with the SIA.

*The INPUT Teaching Aid* (in German) is a new information resource directed at 16- to 20-year olds attending vocational and middle schools and is currently being compiled in association with *Jugend und Wirtschaft*, an organisation which bridges the gap between schools and the business world. It has been designed with teachers in vocational, middle and commercial schools in mind and is scheduled to appear in June 2006. INPUT also contains e-learning modules for the Internet.

*An Overview of Occupational Pension Provision* (in German and French) is a brochure that provides a clear and simple explanation of the complex occupational pension system. The fourth edition has been updated and was published in May.

### **Communication of prevention projects**

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

*Monday Night Light* is an accident prevention campaign launched by the SIA in summer and autumn 2005. Participants in the popular inline skating evenings in Switzerland's major cities were provided



with safety sets sporting the SIA logo at a very low price. These sets improve skaters' visibility at dusk and during the night.

*7th Instruction path:* In September 2005 the SIA used the occasion of a well-attended media briefing to open the seventh instruction path on Bettmeralp in Wallis. Visitors were shown the important role played by intact forests in protecting the population – with some fun thrown in. This explanatory exercise took on special significance given the record losses generated by the floods of August 2005. The *Headlights on During the Day* campaign conducted in autumn 2005 featured radio spots urging drivers to switch on their headlights. Driving with headlights on during the day increases the visibility and thus safety of all road users and pedestrians. The SIA conducted the campaign in cooperation with the Swiss Motor Trade and Swiss Council for Accident Prevention.

*Enjoy sport – Protect yourself* argues the case for wearing adequate protective 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, is having an effect: within the space of two years, the number of people wearing a helmet on the ski slopes has almost doubled.

### **FORUM@insurance**

At the beginning of 2006, the SIA launched a new event platform aimed at promoting efficient and competent knowledge transfer and widespread debate. FORUM@insurance is aimed primarily at insurance managers and experts, although the target group can be extended depending on the focus of each event. SIA conferences now join national conferences and information events held under the FORUM@insurance label, though the former continue to fall within the responsibility of the association's expert bodies.

FORUM@insurance got off to a good start on 31 March 2006 with a conference on national catastrophes in Switzerland that explored the question of whether current prevention and insurance were up to the task. The event was opened by President of the Swiss Confederation Moritz Leuenberger and featured presentations by other speakers and experts of high standing to an audience of 260 representatives from the insurance industry, national, cantonal and communal authorities as well as academics, engineers, architects, real-estate investors and journalists

### **Other information activities**

In 2005, the association once again ran an informational advertising campaign, with pieces appearing in the editorial of 45 issues of the *Sonntagsblick* and *Le Matin dimanche*. The topics presented came from all lines of insurance. The association's head office submits reports to the Board every two weeks. In addition, *CEO Information*, a quarterly bulletin in electronic form, continues to be an indispensable source of information.

## Basic and advanced education and training

### An industry dedicated to training

**The Insurance Industry Vocational Training Association (VBV) focused on two issues in the year under review: new regulations on advanced education and training, and the professional qualification of insurance intermediaries.**

Two groups worked in parallel on the drafting of new regulations on advanced education and training in the insurance industry. One concentrated on developing further the current modular, occupation-focused examination system and the other on exploring the feasibility of introducing a training model in the insurance industry. A decision was made in favour of a model that combined the results from both working groups and to integrate and implement both initiatives in parallel. Coinciding with the entrance into effect of the Insurance Supervisory Act and Insurance Supervisory Ordinance, the VBV was tasked with establishing a professional qualification for insurance intermediaries. The necessary first steps in this regard have been taken.

**VBV insurance intermediary qualification** | Work continued on the education@insurance training platform. In addition to running a number of pilot projects, the VBV advertised a comprehensive curriculum culminating in the award of the VBV intermediary qualification. The VBV Board laid down binding provisions on the content of training materials for the course. A web-based training unit on the new Insurance Supervisory Act went live, while other teaching materials were updated. In the field of basic commercial education and training, the federal government appointed a taskforce with the remit of finding ways of reducing the burden on companies employing apprentices, the apprentices themselves and schools in time for the 2006 apprentice year. The VBV played an active role in this regard by taking account of the standpoint of the insurance industry. This resulted in matters being fully in our favour.

**10 982 module examinations** | The future of the Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF) was clarified during the year under review. The financial planning specialists followed suit with the Swiss Banking Association and left the BVF to go their own way in the medium term and train their own specialists. This means that the BVF will have to be disbanded and the insurance industry must assume responsibility for training its own specialists. Despite this demoralising development, the number of examination candidates did not decline as much as expected.

In the 2005 examination year, 2 980 candidates took 10 982 module examinations in 56 modules at certificate and degree level. Approximately 2 400 candidates have already signed up for 9 400 module examinations during the 2006 spring examination period.

### New advanced occupational qualification

Following the decision taken by the Swiss Banking Association to pursue its own course in the area of advanced professional training, the SIA developed an entirely new training strategy. The SIA Board decided in January 2006 to introduce a two-pronged advanced professional training model: the establishment of an Insurance Management School and retention of the federal insurance certificate. This is a highly flexible solution that covers the further training needs of the insurance industry.

**Open path for further training** | While the Insurance Management School aims at being a modern, self-supporting solution to satisfying the industry's needs for advanced expertise, the existing modular qualification system is to be developed further at federal certificate level and be recognised for admission to the School. Following the financial planners' decision to opt out, the occupational focus of the modular federal certificate will be exclusively on the broad field of insurance.

The SIA Board appointed a project team, which has been working on developing and implementing the two training paths since February 2006. The new training offerings are scheduled for introduction in autumn 2007.

**VBV insurance intermediary**

The year under review featured a range of preliminary work on the introduction of the industry's own VBV professional qualification for insurance intermediaries. The regulations were drawn up in association with the FOPI and the content defined by the association's expert bodies.

**Establishment of examination organisation** | The VBV concluded a contract with the FOPI under which the former assumes responsibility for providing a professional qualification for insurance intermediaries and for establishing an examination commission responsible for central tasks related to organising and implementing the intermediary qualification. To this end, examination centres have been designated, the main experts recruited, examination dates fixed, fundamental material drawn up and the examination organisation established. Four working groups compiled a pilot series and examination questions. Experts will be trained in preparation for the oral examinations, during which candidates will be required to simulate a consultation.

The requisite software has been developed for the technical infrastructure to make it possible to administer and hold the examinations online.

***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, and inter-company training and further education in the private insurance industry: [www.vbv.ch](http://www.vbv.ch)*

*Registration for the insurance intermediary course: [www.education-at-insurance.ch](http://www.education-at-insurance.ch)*

*Registration for the VBV insurance intermediary examination:*

*[www.intermediary-at-insurance.ch](http://www.intermediary-at-insurance.ch)*

*Occupational and advanced specialist examinations: [www.bvf-bap.ch](http://www.bvf-bap.ch)*

The examination content for the insurance intermediary course has been split into modules, while a number of companies have compiled course materials for the VBV. The insurance intermediary courses will be made available on the VBV's education@insurance training platform, which has been up and running since February 2006. Course material has been taken from the existing materials used by insurance@work and customised to the needs of the insurance intermediary training course.

**VBV-Regio**

In mid-2005 the VBV Board appointed a project team to draw up a concept and measures aimed at streamlining the heterogeneous regional structures and standardising its course offerings. The aim of the VBV-Regio is to relieve the regions of the administrative and personnel workload associated with courses, while guaranteeing a transparent and centralised flow of funds and introduction of structures specific to the regions. At the beginning of 2006 the project team took the first steps in implementing the process working in collaboration with the Bern regional office. The lessons learned will be taken into consideration when introducing the VBV-Regio nationally.

**Centre of competence for insurance management**

In autumn 2004 the SIA commissioned the Institute of Insurance Economics (IVW) of the University of St Gallen to set up an international insurance management development platform. The result was the establishment of a centre of competence for insurance management (CIM-HSG) designed to combine theory with practice. An advisory board staffed with experienced and internationally known figures from the worlds of insurance and academia safeguard the continuous development of the CIM-HSG. The first semester started in February 2006 and graduation will take place upon completion of five modules in April 2007. The course will culminate in a Management Diploma from the University of St Gallen. For further information: [www.ivwhsg.ch](http://www.ivwhsg.ch)

*International organisations***International Association of Insurance Supervisors (IAIS)**

This year's three-day general meeting of the International Association of Insurance Supervisors (IAIS) took place in Vienna from 16 to 21 October. The following are some of the items that were addressed: conditions for successful supervision of insurance companies; the evaluation of underwriting provisions; reinsurance and other types of risk transfer; intermediary and consumer protection; resilience of insurance to natural and man-made catastrophes; Solvency II; the convergence of regulatory provisions and cross-border business.

The IAIS decided to publish three standards for the purposes of enhancing market transparency. The first was related to non-life insurance and was published back in October 2004. The second prescribes the disclosure of investment objectives, risk exposure, sub-division, description and profile of investment classes and performance measurement. Especially important is the fact that this standard is applicable to all insurers, including reinsurers. The as yet outstanding third standard will apply to the life area and is expected to be introduced in 2006 or 2007.

[www.iais.org](http://www.iais.org)

**OECD**

With its recommendations of a macroeconomic, commercial and structural nature, which carry weight in national and international debate, the OECD is an important body for Switzerland that shapes opinion and exerts influence. For the Swiss insurance industry, the OECD is a key advisory organisation in the international arena, not least due to the work of the Insurance Committee, which is chaired by Kurt Schneiter from the Federal Office for Private Insurance and tasked with the regulation of the private insurance sector in the broadest sense of the word. The OECD will continue in future to make vital contributions that lie outside the scope of other international organisations, such as conducting analyses and engaging in policymaking in the area of economic trade in a global context. The Insurance Committee conducted a four-day session in December 2005, which Switzerland took part in with a delegation comprised of representatives of the Federal Office for Private Insurance, the Federal Department of Foreign Affairs and the SIA. The main issues were increased transparency on the part of insurers, the risk of longevity, the consequences of catastrophes of a widespread nature, medical malpractice coverage and corporate governance. The next meeting of the OECD Insurance Committee is scheduled for July 2006 in Bern.

[www.oecd.org](http://www.oecd.org)

**WTO/GATS**

18 December 2005 saw the end of negotiations between ministers of WTO member states in Hong Kong. Hardly any progress was made on the issues of market access for services, industrial goods and trade facilitation. Little consensus was achieved on agricultural and developmental issues, which once again dominated discussions. A concerted effort is now needed if the WTO wants to close the Doha Round by the end of 2006.

[www.wto.org](http://www.wto.org)

**CEA**

The general assembly of the European Federation of National Insurance Associations (CEA) took place on 10 June in Paris. It marked the accession of the National Association of Insurance Companies from Romania to the CEA. This brings the CEA's membership to 33 national insurance associations. The League of Insurance Organisations of Ukraine was granted observer status. SIA Chairman Albert Lauper was appointed the new treasurer, thereby marking the SIA's return to the Presidential Council of the CEA.

The members of the insurance associations attached to the CEA cover more than 93% of their countries' domestic insurance business. The CEA represents the interests of 5 027 insurance and reinsurance companies that generate EUR 927 billion in premiums, invest EUR 5 855 billion and employ a total workforce of more than one million.

[www.cea.assur.org](http://www.cea.assur.org)

**Private Insurance and SUVA Ombudsman**

At the beginning of this year the SUVA Ombudsman's remit was extended to include an important segment for insureds. More than 3.3 million employees belong to a second pillar pension facility in Switzerland, of which 50% are insured via a group life insurance foundation.

In view of the importance of occupational pensions, this is a gap the Foundation Board of the Private Insurance and SUVA Ombudsman has decided to close. The ombudsman will in future look after the BVG-related interests of insureds who are insured under a group life insurance foundation.

This expansion of the remit of the ombudsman's office, which has been in existence for 34 years, is a vital addition in the neutral service it offers free of charge.

Anyone who is a member of a group life insurance foundation can seek the help of their local ombudsman in Zurich, Lausanne or Lugano if they have no legal representative or are already involved in legal proceedings.

[www.versicherungsombudsman.ch](http://www.versicherungsombudsman.ch)

**Swiss Institute of Safety and Security**

In the year under review, the Swiss Institute of Safety and Security carried out intensive work on business processes, with the aim of enhancing efficiency and effectiveness in the value chain. Now, nine months after the introduction of a quality management system, a positive conclusion can be drawn. The overview of processes and documentation allow for a better steering of interfaces, while client management and consulting have demonstrably improved.

Despite the prevailing adverse conditions and a 3.1% drop in income from membership fees, the institute closed 2005 on a positive note, being able to finance its necessary investments. The membership fees will remain unchanged in 2006, which will just about serve to cover the services rendered. Funding for new projects must be obtained separately or by substituting previous services.

[www.swissi.ch](http://www.swissi.ch)

**Reservoir Liability Pool**

After a number of risks in the cantons of Grisons and Wallis that had hitherto been insured in the pool were placed with a foreign insurance consortium from 1 January 2005, all pool companies refused to continue to provide capacity in the year under review.

The pool will thus probably be discontinued over the course of the next few years. The as yet outstanding Cleuson-Dixence claim will have to be taken into consideration, but, according to our current knowledge, it will not make any further demands on the pool.

**Nuclear Pool**

In the year under review, Swiss nuclear plants were insured according to the principles agreed upon with their operators. Damage to the generator stator of the Leibstadt nuclear plant did not affect the pool as it was insured in the market under business interruption cover.

Both the public and the insurance industry are awaiting a decision by the Federal Council in 2006 on the location for the long-term disposal of radioactive waste. There remains broad consensus that the technical conditions are fulfilled to ensure that the waste is disposed of safely and without any danger.

The revision of the Nuclear Energy Liability Act that is currently under way and the revised Paris Convention on Third-Party Liability in the Field of Nuclear Energy will lead to an increase in the sums insured. Although the exact amounts have not yet been laid down, the Pool is already working with the international pool community to comply with the expected legal provisions.

## Association bodies

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**Erich Walser**

SIA Vice Chairman

Chairman of the Board and CEO, *Helvetia Patria*

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CEO, *Die Mobiliar*

**Rolf Dörig**

CEO, *Swiss Life*

**Philippe Egger**

CEO, *Winterthur Switzerland*

**Markus Hongler** (designated SIA Board member, elected 14 June 2006)

CEO, *Zurich Switzerland*

**Manfred Knof** (designated SIA Board member, elected 14 June 2006)

CEO, Allianz Suisse

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CEO, *Baloise Switzerland*

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**Hans Künzle** (designated SIA Board member, elected on 14 June 2006)

CEO, *National Insurance*

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Public Relations/

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*Die Mobiliar*

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Competition/Task Force

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Project Group

Consumer Issues

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Economy & Financial Affairs

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*Winterthur*

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Natural Perils Commission

**Gaspere Nadig**

*Die Mobiliar*

Earthquake Syndicate - Head

**Bruno Kuhn**

*Die Mobiliar*

Earthquake Syndicate Claims Commission

**Gaspere Nadig**

*Die Mobiliar*

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**Bruno Zeltner** 2

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Insurance Law /Financial Market Supervision

Solvency/Risk Measurement/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

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Medical Fees

Self-Regulation Organisation/Money Laundering

Indemnity Insurance Unit

**Max Gretener \***

Property Insurance

Motor Insurance

Head of Claims

Engineering Insurance

Marine Insurance

Insurance Fraud

Statistics

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

## Impressum

Wegen der Titelseite rufen Sie mich bitte an. Published by:

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**Abbreviations**

AHV Federal Old Age and Surviving Dependents' Insurance Scheme

ASIP Swiss Pension Fund Association

AVO Ordinance on the Supervision of Private Insurance Companies (Insurance Supervisory Ordinance)

BVF Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning

BVG Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (Federal Act on Occupational Benefit Plans)

CEA European Insurance Committee

DSG Federal Act on Data Protection (Data Protection Act)

ES Natural perils

FBC Federal Banking Commission

FDEA Federal Department of Economic Affairs

FDFA Federal Department of Finance

FDHA Federal Department of Home Affairs

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 Social Insurance Office

FTA Federal Tax Administration

GwG Federal Act on the Prevention of Money Laundering in the Financial Sector (Money Laundering Act)

IV Federal Disability Insurance Scheme

KVG Federal Health Insurance Act

SERVG Federal Act on Export Risk Insurance (Export Risk Insurance Act)

SGK Committee for Social Security and Health Issues (in the National Council and Council of States)

SI Swiss Institute of Safety and Security (Safety and Security Institute)

SIA Swiss Insurance Association

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)

weko Competition Commission