

Annual Report 2003/04



ASA | SVV

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

The Chairman's eye view		
Albert Lauper, Chairman		6
The CEO's report		
Lucius Dürr, CEO		9
Switzerland		
1 Insurance law		16
1.1 Supervisory and contract law		16
1.1.1 Insurance Supervisory Act		16
1.1.2 Financial market oversight		17
1.1.3 Insurance Contract Act		18
1.2 Social security		19
1.2.1 Federal Old-Age and Surviving Dependants' Insurance Scheme		19
1.2.2 Disability Insurance Scheme		19
1.2.3 Federal Occupational Retirement, Survivors' and Disability Pension Plans Act		19
1.2.4 Rehabilitation measures for deficient coverage in the second pillar		21
1.2.5 Health Insurance Act		21
1.2.6 Compulsory accident insurance under the Accident Insurance Act		21
2 Various legal and economic issues		22
2.1 Tax situation		22
2.1.1 2001 tax package		22
2.1.2 Corporate Tax Reform II		22
2.1.3 Federal government's 2003 relief program		23
2.1.4 Value-added tax		23
2.2 Financial issues		23
2.2.1 Money laundering/Self-Regulation Organization		23
2.2.2 Unclaimed assets		25
2.3 Contract and corporation law		25
2.3.1 Tenancy and rental law		25
2.3.2 Antitrust Act		25
2.4 Liability law		25
2.4.1 Full revision of liability law		25
2.4.2 Reservoir Liability Pool		26
2.4.3 Nuclear Pool		26
2.5 Biotechnology		26
2.5.1 Genetic engineering in legislation		26
2.5.2 Genetic testing		26
2.6 Other legal issues		27
2.6.1 Partial revision of the Federal Law on Data Privacy		27
2.6.2 Penal Code and Code of Criminal Procedure		27
2.6.3 Copyright law		28
2.6.4 Federal Law on the Transparency of Public Administration		28
2.6.5 Reform of law pertaining to the consultation procedure		28
2.6.6 Civil procedure law		29
3 Individual insurance segments – current developments		30
3.1 Life insurance		30
3.1.1 Individual insurance		30
3.1.2 Group insurance		30



Albert Lauper, SIA Chairman

During the year under review, the Swiss insurance industry succeeded in recovering for the most part from the heavy losses suffered by it in 2002. Positive reports predominate. Most SIA members managed a turnaround in 2003 and are turning a profit again. The underwriting results are showing an improvement in some insurance lines, and the recovery in the stock markets has provided substantial relief to cash-flow statements. The long-standing erosion of certain non-life premiums has given way to a hard market. Austere cost-cutting programs have resulted in efficiency gains (unfortunately, however, often coupled with staff downsizing). The private insurance industry regained ground last year – no mean feat in view of the fierce turbulence of 2001 and 2002. The Association also has the impression that the insurance industry as a whole has regained confidence from without. The positive upward movement of the listings of many insurance stocks may be construed as an indication of this.

Light and shadows

No one is falling prey to the illusion that another golden age has dawned after the brief, albeit painful dip, for a number of negative items remain. Record-low returns on fixed-interest securities – still the dominant investment category by far – reduce the policy reserve, and decreased stock portfolio holdings limit the room for improving financial income. The loss ratios give rise to considerable concern in some insurance lines, particularly on account of disproportionate increases in healthcare costs, the alarming upsurge in disability cases, and the specter of burgeoning numbers of major natural-loss events. The parameters for a long-term healthy business model in occupational pension schemes – generating a respectable ca. CHF 23 billion in premiums in 2003 – continue to be unsatisfactory, although commendable improvements have been achieved in terms of the

The Chairman's eye view

minimum interest rate and conversion rate. To be sure, the innate task of the insurance industry is to deal with risks of every type and ensure their coverage by way of a comprehensive, broadly underpinned risk management. The demands placed on companies have grown significantly during the last few years. There has been a pronounced rise in volatility on the loss side as the result of difficult-to-assess terrorism threats, novel liability risks, and mounting numbers of natural disasters, for example. The fluctuation potential on the investment side has also increased perceptibly both at the national and international level. The insurance business has become substantially more complex, not least for insiders.

Insurers faced with major challenges

When considering the development of the Swiss private insurance sector since the spring of 2003, one can speak of a clear light at the end of the tunnel. A serious challenge is posed to individual insurance companies and the Association alike in view of the fundamental, breakneck changes taking place within and without the insurance industry. For the companies it is imperative that productivity be enhanced – to the benefit of all stakeholders. Recent experience has shown that there is substantial potential for productivity improvement not only in the manufacturing sector but also in the service sector as well. In addition, a clear-cut, higher significance is being attached in non-life and life insurance to an actuarially comprehensible pricing of the various products, in stark contrast to the days of bounteous interest income and capital gains. In today's current stiffly competitive environment this by no means precludes subtly differentiated premium rates which take account of the various corporate strategies and business models. In this context principles like selective underwriting policies or general risk management attain a completely new dimension.

Finally, it should be pointed out that the importance of corporate governance has grown significantly for all insurance companies, not only those listed on the stock exchange. The credibility of the insurance industry as a central prerequisite for the confidence and trust of policyholders and, thus, for the sustained success of the entire industry correlates closely with a company's compliance with corporate governance principles. In private industry in general – and in the insurance industry in particular – in-depth «thought must be given to the industry's role, function and organization in society as a whole, with efficiency and innovation, transparency and confidence being equally valid parameters» (Prof. Peter Nobel).

Demanding legislative work

The Association is also faced with challenges of a substantial nature. The ongoing changes in the insurance environment and actuarial methods in all their facets are having a significant impact on the legislative process. Draft bills which at the onset of the revision process seem manageable and well-circumscribed for all intents and purposes prove to be complex and controversial in the extreme and tentacle out into other legal areas after they have completed their odyssey through expert commissions, consultation procedures, government agencies and Parliament. One typical example of this is the reorientation of insurance oversight. It has been 13 years (!) since the Federal Council commissioned a working group to examine «whether the efficiency of insurance oversight can be enhanced by way of organizational modifications». To be sure, the revised draft bill of the Insurance Supervisory Act is now undergoing parliamentary deliberation. However, the draft bill has undergone considerable «enrichment» over time. Whether directly or indirectly associated with insurance oversight, discussion has been ignited on a wide variety of issues: the Insurance Contract

Act, a financial market oversight law, changes to the Ordinances Pertaining to Direct Life Insurance, Property Insurance, and Oversight of Private Insurance Carriers, amendments to the Unfair Competition Act, a new accounting and auditing law, the full revision of the Investment Fund Act, to name only a few. The 1st Revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG/LPP) could be mentioned as another example. Parameters like the minimum interest rate or the pension conversion rate, of which the public at large had taken hardly any notice for almost twenty years, have ended up in a crucible of debate which is having wide repercussions. Consequently, the risk is posed of succumbing to the illusion that all problems can be mastered by weaving an ever finer regulatory fabric. In any event, the Head Office and the Association's all-volunteer commissions and committees are involved in a wide variety of «construction sites», albeit with provable success. It is a central and highly demanding task to contribute to shaping the legal environment so as to enable the private insurance industry to optimally perform its manifold economic and social function in the long term.



Albert Lauper, SIA Chairman

The CEO's report



Lucius Dürr, SIA CEO

The SIA has fought for improved conditions and achieved heightened acceptance for the insurance industry. Yet this success isn't enough.

The target-performance comparison of the SIA's designated objectives in the its 2003 Action Plan shows that they have been achieved for the most part. The SIA focussed its efforts on four main areas: Thanks to a *consolidation of legitimate industry interests* some decisive legal fundamentals have been rendered more insurance-friendly. The minimum interest rate of occupational pension schemes has been lowered to an acceptable level. The 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act can be termed a step in the right direction, even though some reforms stopped halfway to the goal line (conversion rate). The revisions of the Insurance Supervisory Act and the Insurance Contract Act took account of the main concerns of the insurance industry. Promotion of the industry's interests was supported to the same degree by a *host of communication activities*. The information events on occupational pension schemes and the numerous talks given on this subject throughout the country proved a major success. The distrust toward private life insurers was successfully mitigated and the interest in the goings-on in the second pillar was heightened. The *SIA's services were extended in favor of its members*. By developing a comprehensive concept on intercorporate basic and advanced education and training, the SIA has provided for a future-oriented training system in the insurance industry which is tailored to individual requirements. *CEO Letter* and special workshops on topical issues boosted the information disseminated within the Association. *The management and guidance of the SIA was improved* by creating a new mission statement, expanding the activities of the Board Committee, and by creating the new Economy & Financial Affairs Committee. Although the situation of the Swiss insurance industry was successfully improved in 2003, it does not suffice to ensure the industry's continued economic prosperity.

Safeguarding our legitimate interests is everything

There is hardly a sector in Switzerland which is as regulated as the insurance industry. One result of this is that legislation constantly has to be adapted to keep abreast of changing exigencies. In the SIA's view, the 2003 political scene in Switzerland was comparable to the innumerable construction sites to be navigated on Switzerland's highways during the summer months. However, the key difference lay in the extremely hectic pace and the constantly changing point of departure. As a consequence, the SIA was under considerable time pressure to constantly adapt its positions on the individual regulation areas, plus maintain a constant presence in the political arena.

The foundation for safeguarding the industry's interests in a successful and efficient manner was formed by the position papers on all relevant political issues, a detailed plan of action, the associated communication activities, and maintaining and grooming a host of contacts at all levels. Sampling of the Association's key activities: various talks with Federal Councilors, two MP meetings, innumerable one-on-one discussions with individual MPs, party caucuses, maintaining contacts with federal agencies, and active participation in the umbrella organizations. The numerous consultation procedures on the legislation projects of the government were just as decisive in terms of bringing the SIA's influence to bear early on.

Occupational pension schemes left an indelible mark on the SIA's work in 2003

None of the numerous legislation areas set the tone of the Association's work during 2003 as did the debate on the future form the second pillar is to take. The Association's bodies and ad hoc taskforces were kept on their toes virtually day in, day out. Their accomplishments are nothing to sneeze at although the designated objectives were

achieved only in part. The 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act with its partially reduced conversion rate is to be considered an intermediate step. The minimum interest rate of occupational pension schemes has been lowered to an acceptable level, although the fundamentals for calculating it remain arbitrary. The SIA has contributed toward shaping transparency regulations and fostering them. However, the associated legal quote is unfathomable and has a counterproductive effect for insurance customers.

The SIA scored success with regard to the partial revision of the Insurance Contract Act and full revision of the Insurance Supervisory Act. Key concerns of the insurance industry were taken into account. The same applies to genetic testing and the gen-lex bill on genetic engineering. The draft revised version of the Data Privacy Act was rejected thanks to the SIA's efforts, and a parliamentary motion pertaining to gender-neutral premiums in supplemental medical insurance thwarted.

The impact of the EU is unmistakable – Work in the CEA is imperative

Almost every EU legislation project has a direct or indirect impact on Switzerland. This applies equally to regulations pertaining to the insurance industry. The EU's effort to prohibit gender-specific insurance premiums is only one example of this. Being a non-EU member, Switzerland has to exert indirect influence on the EU. The SIA fulfills this task for the Swiss insurance industry. By actively participating in the CEA, i.e. on the CEA's executive board, the SIA continued to voice its position in 2003 on all currently proposed regulations in virtually all of the CEA's committees and commissions as well as in the general director conference. Its views served as input for the CEA's position statements. It is quite conceivable that Swiss ideas and standards could become a benchmark for Europe, e.g. when it comes to solvency regulations.

The CEO's report

Inclusion of trade unions and consumer organizations

Even though the SIA's representation of the insurance industry interests can be termed successful, there are still shortcomings and unfinished business. The extremely pugnacious manner of the trade unions with regard to occupational pension plans, for example, is due in part to the fact that the SIA's relations to unions continue to be less than ideal. There are similar shortcomings in the SIA's dealings with consumer organizations, as demonstrated by the numerous amendments put forward in the Federal Council with regard to the Insurance Contract Act. There is little likelihood that this conflict of interests can be resolved. However, it is important to help trade unions and consumer organizations develop an understanding of the concerns of the insurance industry.

The Swiss people demand to be heard

Misunderstandings and prejudices can only be gradually eliminated through direct contact with the people at large and members of the media. This was the underlying principle of the SIA's communication activities in 2003. Information events and talks were organized in all key regions of Switzerland, in major cities and villages alike. They were significant in helping the populace at large understand ongoing developments in the second pillar, dispel fears, and foster understanding of the concerns of private insurers. The discussions of the participants at all events were numerous and vigorous. It would be presumptuous to claim that the image of the insurance industry took an instantaneous turn for the better during 2003, though it can be said that criticism has subsided somewhat and the remaining criticism has become more objective and less emotional.

The SIA's contacts with members of the media weren't any less numerous. The SIA's task was to provide transparency in many insurance areas,

not only occupational pension schemes. The topics "Transparency" and "Situation Regarding the Second Pillar" dominated the 2003 annual media conference, numerous one-on-one meetings, and an advertorial. The SIA's comprehensive information offerings on its website and the "Insurance Advisor" appearing in the Sunday edition of various newspapers proved popular. Reporting on and by major players in the insurance industry was on the rise. This reporting has been receiving increased attention.

Quarterly periodical and publication series of the SIA — new communication media

Sustained communication activities have to take place regularly, be broad, well-targeted and comprehensive. The SIA's current communication offerings essentially satisfy these requirements, however they exhibit some key gaps. The SIA will be introducing a quarterly publication entitled *The Insurance Industry* for the purpose of informing as many key decision-makers as possible in government, industry, scientific circles and education about the SIA's views and positions. A publication series is designed to provide in-depth basics and background information on key insurance topics (e.g. the three-pillar system, compulsory accident insurance under the Accident Insurance Act, etc.).

Expansion of services made to measure

The needs of the members of an association essentially depend on their own capabilities. Being major corporations, the SIA's members need little in the way of individualized services. Instead, the focus is on services that only a group can provide: conveying of information, development of basic and advanced education and training concepts, preparation of statistics and the like. The SIA's information offerings were expanded in 2003. Apart from an extranet unique in Switzerland, the quarterly *CEO Letter* has become an indispensable source of information. Association workshops, e.g. those

on future accounting and auditing, enabled members and SIA staff to deal in-depth with complex material. Despite restrictions imposed by antitrust law, the SIA continued to prepare statistics in 2003, which have become a key essential for the insurance industry. A certification system has been developed for field staff in order to enhance their qualifications.

Future-oriented holistic concept for basic and advanced training

By collaborating closely with the Institute for Insurance Economics (I.VW) of the University of St.Gallen, the SIA was able to critically examine the HR and financial resources deployed by it in intercorporate basic and advanced education and training. One result of this work was the drafting of a holistic concept which the SIA executive board has resolved to be implemented during the next few years. Proceeding from the SIA's mission statement pertaining to education and training policy, the SIA has designated this as one the SIA's core tasks. Specifically, the SIA is promoting the retention and fostering of an intercompany education and training system in the following areas: basic training, continuing occupational education and training, furthering of qualified specialist knowledge, and advanced management training. In order to implement its designated goals, the SIA runs the Insurance Industry Vocational Training Association (VBV/AFA) specifically established for this purpose.

New Association mission statement as guideline

Being a non-profit organization, the key ingredients for the SIA's success are: professional guidance and planning, management and resource effectiveness and efficiency, and the high quality of services provided. The SIA has revised its mission statement in view of these designated objectives. The Association's self-image, its objectives, program, communication and resources clearly demonstrate where the SIA is headed. The SIA's structures and procedures were critically examined in order to make it more effective. Members were added to the Board Committee and its activities expanded so as to enable the SIA to respond and act more quickly. A new Economy & Financial Affairs Committee was established to more effectively deal with issues relating to accounting and auditing, solvency, and investment regulations. The Association's individual services were examined to determine their necessity and efficiency, as was the structuring of the SIA's operations in order to prevent liaison problems.

2004 will be even more difficult

Though the SIA was able to achieve key partial successes in 2003 it still faces major challenges. Key legislation decisions are still pending. There is uncertainty with regard to the fall out of stricter competition law. The negative image of the insurance industry remains, although it has abated somewhat. The complexity of insurance topics necessitates even more transparency and information. The associated need for action and time pressure will dog the SIA even more in 2004. The SIA will meet these challenges head on thanks to its resolve, clear-cut objectives, and pronounced will to action.



Lucius Dürr, SIA CEO

Switzerland



1

Insurance law

1.1

Supervisory and contract law

1.1.1

Insurance Supervisory Act

The Federal Council submitted its report and positional statement on the revised Insurance Supervisory Act in May of 2003. The designated prime objective of this reform is maintaining the security and trust of insurance policyholders by affording them better protection through the targeted monitoring of the long-term stability of insurance companies.

The present oversight legislation is fragmented as it is spread over five federal laws. The objective of the reform – providing for oversight which takes more account of risk and the market and, thus, international developments – requires a complete overhaul and, in part, reorientation of oversight. The new insurance supervisory law is due to go into force in 2005. It is currently undergoing parliamentary deliberation.

The revised law focuses on security, risk management and extending corporate governance provisions. In particular, the proposed law seeks to base the definition and calculation of the requisite solvency of an insurance company on all the risks to which the company is exposed. This translates into a departure from static oversight in favor of more dynamic oversight. In addition, other oversight instruments are being precision-defined in the following areas: corporate governance, transparency and consumer protection.

A key change proposed by the new insurance supervisory law is that oversight is to be extended to insurance intermediaries and a public register created for them. In addition, insurance companies would be compelled to appoint a “responsible actuary”, and in so doing strengthen the company’s internal security. What form these changes take will be governed by various provisions yet to be formulated. The new insurance supervisory law also covers insurance groups and conglomerates as there were previously no regulations established for these corporate entities.

The most ambitious project associated with this reorientation is the Swiss Solvency Test and how it is administered. This model – which is fashioned after the EU’s solvency rules (Solvency II) – provides for a two-tiered approach, according to which a minimum capital requirement is defined, computed on the basis of a statutory foundation, as has been the case to date. In addition, a target capital is computed on the basis of market-consistent reserves. When the capital falls below this amount this serves as a warning for the supervisory authorities, meaning it is not primarily indicative of the insurance company’s impending insolvency.

In preparation for the scheduled entry into force in 2005 of the guidelines for the Swiss Solvency Test (SST), the Federal Office for Private Insurance (FOPI) established a Standards Setting Board (SSB) in concert with the insurance industry at the beginning of 2004, the board being tasked with drafting principles for weighting actuarial aspects and gauging their feasibility in a field test involving companies. This project is to be accompanied by ongoing information campaigns and education and training events so that once the Insurance Supervisory Act enters into force it can be implemented in companies in a timely manner. For current information on this topic and the draft Insurance Supervisory Act, we refer you to the SIA’s website (www.svv.ch).

1.1.2

Financial market oversight

In July of 2003, the Zimmerli Expert Commission issued the first part of its report on “Integrated Financial Market Oversight”, which was submitted by the Federal Council to the consultation procedure in October of 2003. According to the report, the Swiss financial market oversight authority to be newly created (Federal Financial Market Supervisory Authority, or FINMA) is to assume the tasks of the Swiss Federal Banking Commission and the Federal Office for Private Insurance (FOPI). In order to ensure that the new authority has the requisite subject-matter and financial independence, it was proposed that it be founded as a public corporation, and thus a separate legal entity, and as such be “hived off” from the Swiss federal government.

As perceived by the expert commission, the new authority would be split into a strategic and an operative body. The supervisory board would deal primarily with the strategy of the integrated authority and advise the management board on questions of principle. The supervisory board would also be tasked with adopting ordinance provisions, directives and bulletins. The management board would be responsible for exercising oversight and be comprised of the heads of the departments. According to the expert commission, the power of disposition would lie with the management board, however it could also be delegated to the departments.

The institutions supervised by FINMA would be obligated to designate a certified auditor (audit company), who would be subject to approval by FINMA. Among other things, the audit company would verify compliance with all supervisory regulations. This audit model is that of the banks, who have been living this dualistic audit approach and consequently outsourcing auditing primarily

to third parties. In addition, FINMA is to be able to demand that the audit companies be capable of conducting an in-depth audit in individual business areas. In the event that the audit report gives rise to serious reservations, FINMA can have second audits conducted. Finally FINMA reserves the right to conduct audits of complex, system-relevant business activities in parallel with the audits conducted by the audit company. We are pleased to note that the SIA's suggestion of forming largely independent departments within the oversight authority has been incorporated.

The reorientation of oversight activity means decisive changes for the insurance industry. Although the insurance industry isn't seeking to resist international developments in this area, it is essential that the specific concerns of the various financial intermediaries involved be sufficiently taken into account. Only in this way can it be ensured that an umbrella oversight authority like FINMA will function in the interest of everybody.

The SIA dealt in depth with FINMA in the context of the consultation procedure. The Association is critical of the organization of the new oversight authority: As proposed, the power of disposition is to primarily lie with the management board. Although the draft bill enables the power of disposition to be delegated to the departments under certain circumstances, the SIA is of the opinion that the provision pertaining to delegation is insufficient. By incorporating the Federal Office for Private Insurance (FOPI) in FINMA, it would be ensured that the know-how developed over the course of many years will be present in the respective department in charge of oversight of the insurance industry. If orders and decrees specifically relating to the banking and insurance sectors are to be issued, the law has to unmistakably stipulate that this falls within the remit of the departments. This will enable oversight to be practiced in a competent, efficient manner.

The insurance industry continues to roundly reject the principle of dual oversight. Although the draft Financial Market Supervision Act (FINMA Act) provides for exceptions to the principle of dual oversight – the insurance industry being mentioned in the first part of the expert commission’s report as one such exception –, the SIA has stated in no uncertain terms that oversight should be exercised by the authority itself and that direct oversight shouldn’t be cited as an exception to the rule. In the view of the SIA, under no circumstances can supervision of the insurance industry in the core areas be delegated as an act of state and at best featured as a formal audit after the fact. Outsourcing core tasks to audit companies also poses the risk of know-how being relinquished by the authority, as auditing business activity in a competent manner is essentially dependent on being directly active in the marketplace. However, when auditing is outsourced to third parties, in-depth actuarial expertise – necessary for recognizing systemic risks or calculating long-term obligations, for example – would no longer be possessed by the authority in a requisite manner. The SIA also expressed its doubts that, by outsourcing as proposed above, a mixture and duplication of the tasks of the audit companies would arise, the result being the creation of unnecessary interfaces, which is not advisable for cost and efficiency reasons. It is for all these reasons that the insurance industry opposes the notion of double oversight, i.e. individual life insurance by the FOPI/ FINMA, and group life insurance by the FOPI.

The initial euphoria of creating a single financial market oversight authority is increasingly meeting with resistance. It can be stated that the Swiss insurance industry is in favor of strong, competent and autonomous oversight, however this presupposes that the interests of the various financial intermediaries are safeguarded.

Since publishing the first part of its report, the expert commission is now in the process of drafting its sanction report and recommendations for expanding and strengthening prudential oversight. For the SIA’s comments in connection with the consultation procedure pertaining to the first part of the expert commission’s report and further information, please consult the SIA’s website (www.svv.ch).

1.1.3

Insurance Contract Act

The Federal Council issued its report and positional statement on the partial revision of the Insurance Contract Act on 9 May 2003 upon passing the draft bill. The Council of States, as the first chamber, dealt with the proposed bill in the winter session of 2003. The SIA basically supports the Council of States’ proposal, i.e. the draft of a partially revised Insurance Contract Act in the version of 18 December 2003, after key concerns of the SIA – in particular those concerning non-compliance with the disclosure obligation – were taken into account by the Council of States. The National Council then examined the draft bill in March of 2004. The partially revised Insurance Contract Act is due to enter into force on 1 January 2005.

A full revision of the Insurance Contract Act has been in progress since February of 2003 in parallel with the current partial revision. A Swiss government commission of experts headed by Prof. Anton Schnyder was charged with the task of preparing the first draft for a fully revised insurance contract law. The expert commission is currently in the process of penning the first draft. It is scheduled to be made available in September of 2004. Once the first draft has been submitted, the expert committee will examine whether hearings are to be conducted with the groups affected by the legislation (including the SIA). Current information on the partial and full revision of the Insurance Contract Act is available on the SIA’s website (www.svv.ch).

1.2

Social security

1.2.1

Federal Old-Age and Surviving Dependants' Insurance Scheme

The 11th revision of the Federal Old-Age and Surviving Dependants' Pension Scheme (AHV/AVS) was passed by Parliament in the autumn of 2003. It introduces a common uniform minimum retirement age of 65 for men and women. The retirement age is also made flexible by enabling advance collection of half the AHV/AVS pension from age 59 and the full pension from age 62, however in exchange for a corresponding actuarial curtailment of pension benefits. A "cushion" has been introduced for women for the transition period until age 65. This goes hand in hand with a reduction being introduced for widow's pension benefits from the current 80% to 60%, which is being offset by increasing orphan income benefits from the current 40% to 60%.

The 11th revision of the Old-Age and Surviving Dependants' Pension Scheme (AHV/AVS) is a political compromise. The left wanted to earmark CHF 800 million for a cushion to offset the effects of drawing early retirement benefits. At the same time, the Federal Council intended to earmark more funds for both the AHV/AVS and the Disability Insurance Scheme (IV/AI) than is now currently the case.

However, it is uncertain whether the compromise negotiated will stick. A referendum was successfully initiated by the Swiss Social Democratic Party (SP) and the unions, meaning that the Swiss people will decide on the content of the 11th AHV/AVS revision on 16 May 2004. The Swiss people will also be voting on a referendum initiated by the Swiss Union of Crafts and Small- and Medium-Sized Enterprises and the Swiss People's Party (SVP) on an increase in VAT coupled with the AHV/AVS revision of 0.8% in favor of the IV/AI and 1% in favor of the AHV/AVS.

1.2.2

Disability Insurance Scheme

Parliament passed the 4th Revision of the Disability Insurance Scheme (IV/AI) in the March 2003 session. Since no referendum took place, the revised law entered the law books on 1 January 2004. The reform extends in particular to the adaptations made to benefits. The Disability Insurance Scheme offices will have to set up regional medical services by 1 January 2005. The issue of financing by increasing VAT – an issue decoupled from the AHV/AVS//IV/AI draft bills – has not yet been approved. It will be the subject of the plebiscite on 16 May 2004.

Although the 4th Revision of the Disability Insurance Scheme was just passed, work is already underway on the next revision. When considering the upward trend of disability numbers, it has become all too evident that the draft just passed is unable to solve the fundamental problems inherent in the Disability Insurance Scheme. In view of the rising deficits in the Scheme, the overriding task will be to put it on a solid financial footing and to counter the increasing pensioning-off trend.

1.2.3

Federal Occupational Retirement, Survivors' and Disability Pension Plans Act

During the year under review, occupational pension plans were the scene of heated debate. The debate was primarily triggered by the fact that the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG/LPP) was conceived as a framework law. The act is founded on individual companies, and provides for different providers owing to the variation in size and risk capability of the companies. Comparing the products offered by these providers is extremely difficult at best. In political discussions, this constantly leads to misunderstandings, the life insurers being the main ones to suffer from this as they have to guarantee one hundred per cent coverage of provident claims at all times.

1st Revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act

The 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG/LPP) was passed by Parliament with a delay in the autumn session of 2003. The reason for this lay in the linking desired by Parliament of the 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act with the 11th revision of the Old-age and Surviving Dependants' Pension Scheme with regard to cushioning the effects of early retirement. The draft bill was originally designed to consolidate occupational pension plans. There is little left of this original intent in the bill passed by Parliament. The group of those covered by occupational pension schemes was extended by lowering the coordination offset to CHF 22,155 and introducing a threshold of CHF 18,990 for contracting into the schemes, this being intended to compensate for the lowering of the coordination offset. To be sure, however, expansion is taking place in the 2nd pillar to some extent since the lowering of the coordination offset doesn't go as far as originally proposed by the Federal Council.

Transparency

The creation of a transparency standard is the key element of the 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act. Although the corresponding provisions are addressed to all market players, the larger context clearly shows that life insurance companies in particular with the large number of mini- and micro-sized clients served by them were being targeted. In so doing, the rapid enactment as of 1 April 2004 of the standard as intended by the Federal Council presented life insurers with serious problems as key elements such as the separation of guaranty funds would have to be implemented before the foundations had been laid.

Conversion rate

Even before the revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act passed it was clear that the resolution passed by Parliament for lowering the conversion rate to 6.8% within 10 years was insufficient in view of demographic reality. One fact in particular created quite a stir: In the summer of 2003 various insurance companies presented occupational pension scheme models in which the conversion rate was much lower than the government-imposed rate. This prompted the Council of States to refer a motion in which a more rapid lowering of the conversion rate was to be made mandatory. It rejected more radical proposals like the one calling for a single rate for compulsory and supplementary insurance schemes. The motion will be addressed by the Council of States in the 2004 autumn session. At the same time a working group commissioned by the deliberative Occupational Pensions Committee is in the process of drafting the fundamentals for lowering the new conversion rate in effect.

Minimum interest rate

The minimum interest rate was set for the first time in 2002 and then lowered to 3.25%. There was a need to re-examine the interest rate again in 2003 in view of the ongoing bear market that year and continued depressed bond interest rates. Although the Federal Council was originally in favor of 2%, the rate fixed by the Federal Council in September of 2003 was 2.25% owing to certain recovery trends observed in the stock market. Although the SIA perceives this measure to be a step in the right direction, it was dissatisfied with this decision for a number of reasons. The late date at which this decision was made and the concomitant uncertainty triggered by this concerning the amount of the minimum interest rate left various companies no choice but to cancel policies as a precautionary measure in view of the six-month notice periods

for renewing contracts. This led to heightened uncertainty on the part of many customers and insurance companies alike. Nevertheless, apart from critiquing the timing of the decision, life insurers also voiced their concerns that the amount of the minimum interest rate could not be computed or modeled.

The SIA expressed its views on the key issues of occupational pension plans in a position paper. In it the SIA stated that the basis for calculating the minimum interest rate should be 60% of the rolling average of 10-year federal bonds; generally speaking, the minimum interest rate has to be in line with the market, and be transparent, plannable, economically viable, and calculable for all those involved. An actuarially and biometrically correct conversion rate should be based on the group life insurance tariff 95 (KT 95) developed by the SIA, calculated using a technical interest rate of 3.5%; as a consequence, the conversion rate would have to be 5.835% for men and 5.454% for women, the difference being primarily based on the different final age for men vs. women. The Association regretted the passage of the legal quote provisions by the Federal Council in March of 2004; they are not only incomprehensible but also render the conditions for the occupational pension business of the private insurance industry even more difficult.

1.2.4

Rehabilitation measures for deficient coverage in the second pillar

The difficult financial situation of many autonomous pension funds prompted the Federal Council to forward to Parliament a draft bill providing for possible financial stabilization measures. One of the key provisions of the draft bill – which urgently needed passing in the view of the Federal Council – was the collection of additional contributions from employers and employees, also retirees, in the event that there was a shortfall in pension fund coverage. The draft bill also provided for going below the minimum interest rate, if

necessary. However, the bill does not make any such provisions for life insurers. This was criticized by the SIA because it is yet another example of creating different conditions for autonomous funds vs. funds operated by life insurance companies.

The draft bill was passed by the Council of States in the winter 2003 session. By contrast, the National Council rejected the possibility of going below the minimum interest rate in the spring 2004 session. The deliberations for settling the differences between the two chambers have yet to take place.

1.2.5

Health Insurance Act

The second partial revision of the Health Insurance Act failed after many years of revision work. In the parliamentary treatment of the bill, a large number of widely varying items were incorporated in the bill, this resulting in the collective resistance of individual majorities against individual items. Now the Federal Council intends to submit to Parliament two reform packages with independent reports and positional statements. In so doing, it is falling back on the proposals of the last draft bill, supplementing them with new elements.

1.2.6

Compulsory accident insurance under the Accident Insurance Act

During the year under review, several reform efforts pertaining to the Accident Insurance Act were initiated. In a surprise action, the Federal Council withdrew its planned report and positional statement pertaining to further areas of operation of the Swiss National Accident Fund (SUVA). It is waiting for the findings of a cost/benefit analysis on the present accident insurance system. In the meanwhile, the consultation procedure was initiated concerning the Federal Law on Transferring Armed Forces Insurance to the Swiss National Accident Fund.

Various legal and economic issues

2.1

Tax situation

2.1.1

2001 tax package

The tax package was passed by Parliament on 20 June 2003. Eleven cantons and a committee comprised of the Swiss Greens and the Left Alliance submitted a referendum in reaction to the calculations performed by the government concerning the tax relief accorded to families with children and the measures pertaining to transfer stamp duty (transaction tax) on securities trading as the calculations projected tax revenue shortfalls in excess of CHF 2 billion particularly by virtue of the paradigm shift in the taxation of owner-occupied residential property. The plebiscite will take place on 16 May 2004.

If passed, the tax package will result in only disadvantages for the insurance industry for the most part. The package calls for the deductibility of private personal insurance premiums to be eliminated, the transfer tax duty on the securities trading of domestic life insurance companies to be retained and additionally introduced for that of pension funds. The paradigm change in the taxation of owner-occupied residential property caused by abolishing the deductibility of mortgage interest is expected to result in increased repayment of mortgages and, thus, prompt retirement funds to be funneled out of occupational and linked pensions.

2.1.2

Corporate Tax Reform II

After Parliament rejected the cut in the profit tax rate for bodies corporate requested by industry in passing the 2001 tax package, the Federal Council initiated the consultation procedure on the second corporate tax reform at the end of 2003. Fiscal

improvements are planned for companies by way of the targeted relief of corporate venture capital and proceeding toward a neutral tax system for the purpose of enhancing Switzerland's attractiveness as a business location.

In order to implement the proposed second reform, three models are under discussion on how qualified holding earnings would be subjected to partial taxation in the future instead of full taxation as has been the case to date. In the first two models, there would no longer be any distinction between investment earnings vs. capital gains in the taxation of business assets: all capital gains from qualified holdings would be subject to partial taxation only; conversely, private capital gains from qualified holdings would no longer remain entirely tax-free but would also be subject to partial taxation. By contrast, model 3 provides for partial relief for paid-out profits from all corporate and private holdings. These earnings would be subject to direct federal tax of 70 per cent – as opposed to 100 per cent to date – and be taxed together with all other income. Model 3 would be the quickest and easiest to implement.

The SIA makes a sustained effort to promote the improvement of the tax conditions for Swiss corporations. This improvement was already the subject of the first corporate tax reform in 1997, however the resulting overall package was not only diluted but also proved to be to the detriment of the insurance industry on account of the stamp duty measures enacted. In contrast to the Federal Council, who is in favor of model 1 in the current draft bill – or of introducing a partial taxation procedure for dividend payments with an option –, the SIA favors model 3, which of the three models comes closest to safeguarding the interests of the insurance sector and is also supported by other economic groups. The Association is also in favor of reducing the minimum quota or amounts for controlling interests.

The SIA submitted its comments on the draft bill. It found there to be a specific problem in connection with the issue of improving the holding deduction being dealt with in this tax reform. The double taxation of corporate dividends in the event of a loss was to be eliminated, at least by way of a practice change. To be sure, the current-day practice of the tax authorities results in a triple taxation on paid-out corporate dividends for Swiss corporations with a parent company structure, as losses carried forward are offset against tax-privileged holding earnings.

2.1.3 Federal government's 2003 relief program

In the course of the federal government's quest for fiscal relief, the Federal Council also considered increasing the stamp duty on life insurance policies in its search for additional sources of revenue. The SIA successfully resisted this and documented in a comprehensive manner that measures like these would continue to put life insurance companies at a disadvantage.

2.1.4 Value-added tax

The Federal Tax Administration's industry brochure entitled Insurance and Insurers was modified in the course of enacting the Value-Added Tax Act, which provides for the taxation of compensation paid by co-insurers to the lead company (co-insurance commissions). This prompted the SIA to overhaul the co-insurance relationships among its members. Now it has become clear that this compensation does not constitute (taxable) services rendered by the co-insurers but rather an expense premium (i.e. compensation for policy administration and processing by the lead insurer on behalf of the customer), and thus constitutes a part of the insurance business volume, consequently making it tax-exempt. Revamping co-insurance

relationships also caused the question of the central collection of the stamp duty and other taxes and levies on insurance premiums (accident prevention contribution, etc.) to be clarified or re-organized by the lead company. As concerns stamp duties, the requisite amendment of the Ordinance on Stamp Duties has been initiated. The new co-insurance relationships are to go into effect as of 1 January 2005.

2.2 Financial issues

2.2.1 Money laundering/Self-Regulation Organization

Since money laundering is the key economic side-effect of organized crime, the measures for combating it were stepped up and expanded at the international level during the year under review, as were the measures to counter the financing of terrorism. To be sure, these measures include the 40 recommendations of the Financial Action Task Force on Money Laundering (FATF), the recommendations being thoroughly revised and passed by the EU member states in June of 2003. The revision takes account of changes in money laundering methods and the experience gained to date in implementing the standards. The FATF recommendations are an internationally recognized standard for measures which a country must take in order to effectively combat money laundering. During the revision work on the recommendations, the Swiss delegation actively supported the international standards.

The agreement between Liechtenstein and the Switzerland pertaining to direct insurance was adapted. The changes in the annex of the agreement pertaining to money laundering entered into force on 1 February 2004. The insurance convention between Switzerland and Liechtenstein concluded in 1996 realizes the freedom to provide services,

to which cross-border insurance services belong, and oversight according to the principle of the country of domicile. According to the revised annex, the oversight of the measures for combating money laundering fall within the remit of the supervisory authority of the country of domicile for service transactions and of the supervisory authority of the host country for business by a representative office. "Service transactions" cover transactions enacted from the country of domicile, whereas "representative office transactions" cover insurance contracts concluded by a branch establishment in the host country. An exception to this is the threshold value, which triggers an identification obligation: A Swiss insurance company is compelled to identify a policyholder residing or domiciled in Liechtenstein when the amount of an annually recurring insurance premium is equal to or exceeds CHF 1500 or a single premium amounting to CHF 4000 or more is paid into a premium account. This exception is designed to ensure that no distortion of competition occurs in Liechtenstein's life insurance market. The SIA's Money Laundering Commission dealt in depth with the revision of the insurance convention within the framework of surveys and consultation procedures.

At the Swiss national government level, Parliament ratified in the spring session of 2003 the International Convention for the Suppression of the Financing of Terrorism and the International Treaty for Combating Terrorist Bomb Attacks, in addition to adopting the amendment of the Swiss Penal Code and the adaptation of other federal laws. This took place after Switzerland had signed ten UN conventions pertaining to the combating of terrorism. By acceding to the two remaining conventions the Swiss government seeks to ensure that Switzerland continues to be unattractive as a center for financing and supporting terrorism.

The main focus of activity of the SIA's Self-Regulation Organization (SRO-SIA) was publishing the second edition of the commentary on the regulations and the SRO-SIA News. Like the first edition, the second edition of the commentary is designed to provide member companies and their employees a practical guide in implementing the statutory due diligence obligations for combating money laundering. By issuing its own publication, SRO-SIA News, the SRO-SIA takes account of the interest of its members in increased information. Plans have been made to publish two newsletters a year, in German and in French.

During the year under review, the member companies filed eight reports of suspected money laundering with the Money Laundering Reporting Office. We would like to point out again that constant monitoring of policies and keeping existing customer profiles up to date in accordance with the risk involved and practice-oriented employee training are effective tools in combating money laundering in life insurance.

The increasing integration of financial markets has caused the problem of money laundering and the financing of terrorism to become further exacerbated during the past few years. Switzerland is at the forefront when it comes to fighting organized crime. By constantly keeping their operations up to the minute, the SRO-SIA and its members make a key contribution to customer identification, an efficient in-company control system, and educating and training their staff in a practice-oriented manner.

2.2.2

Unclaimed assets

The commission of experts assigned by the Federal Council in 2002 to revising the draft federal law from 2000 has not yet concluded its work. The core of the expert commission's work is the treatment of the unclaimed assets with insurance companies. In its response, the Swiss Insurance Association criticized the draft bill submitted to the consultation procedure for catering too much to the situation of banks.

2.3

Contract and corporation law

2.3.1

Tenancy and rental law

The National Council and Council of States passed in December 2002 a revision of tenancy law, which has been in effect since 1990. This was followed by the Landlord and Tenant Association initiating a referendum against the revised draft bill, which sought, among other things, to decouple rental prices from mortgage rates and link them to the consumer price index instead. On 8 February 2004, the revision of tenancy law was roundly rejected by 1,346,000 "no" votes to 757,000 "yes" votes.

2.3.2

Antitrust Act

With its final vote on 20 June 2003, Parliament passed the revision of the Antitrust Act. The deadline for submitting the referendum expired without being utilized. The revised Antitrust Act entered the law books on 1 April 2004.

The revised law empowers the Competition Commission to impose sanctions for any violations of the Antitrust Act without further ado. The maximum fine amounts to 10% of the cumulative gross premium revenues collected during the last three years in Switzerland. The "bonus provision" is designed to provide an incentive to companies involved in a violation to cooperate with the Competition Commission in exposing and eliminating restrictive practices and, thus, benefit from a reduction of the sanction imposed on them. In addition, a presumption of unlawfulness pertaining to vertical agreements and a series of associated amendments (e.g. clarification of the conditions for house searches) were also introduced.

These modifications are designed to ensure higher compliance with the provisions of the Antitrust Act and make the work of the Competition Commission in fostering open competition more effective.

2.4

Liability law

2.4.1

Full revision of liability law

This project has been shelved by the Federal Department of Justice since the consultation period for the experts' draft on a Federal Law for the Unification of Liability Law came to an end at the end of April 2001. In its legislature planning report for 2003 – 2007 the Federal Council did not include the revision of liability law for reference to Parliament for passage. Consequently, no decision will be made on the revision of liability law until 2008 at the earliest.

2.4.2

Reservoir Liability Pool

It has become evident that only limited resources can be made available at the global level for exposure to major risks. This fact and the circumstance that the risk assessment had to be revised as a result of the loss event involving the rupture in the pressure pipe in the Cleuson-Dixence plant have led to a substantial increase in premiums when renewing policies for risks in the cantons of Valais and Grisons, the premiums being accepted by the customers only after tough, yet fair negotiations had been conducted.

The pool is not providing coverage for other risks in other cantons; a need for insurance coverage continues to exist despite the rejection of a Swiss-wide obligation.

The definitive clean-up of the ruptured pipe in the Cleuson-Dixence plant will take some time. The preliminary investigation report issued by the court authorities has clarified some questions but left others open or prompted new ones which have to be dealt with in depth. However, the claims of the injured parties have been satisfied.

2.4.3

Nuclear Pool

The outcome of the votes on 18 May 2003 on the two nuclear initiatives showed that the Swiss people continue to have no wish to dispense with electricity from the existing nuclear power plants. The Nuclear Pool understands this as a mandate to provide for coverage of liability and property risks in concert with the pools of other countries and to assist in ensuring that the high standard of safety continues to be maintained in the plants.

The Paris Convention on Third Party Liability in the Field of Nuclear Energy has been adopted. Upon its entry into force, there will have to be a substantial increase in the liability limits in various countries, particularly in Europe, and this will necessitate joint efforts in providing the associated insurance coverage required. Switzerland will have to make its contribution to this, it being a country that is already well acquainted with higher limits, limits that will be increased even more in the wake of the revision of the Nuclear Energy Liability Act.

The separation between basic coverage and coverage for terrorist risks was retained unchanged during the year under review.

2.5

Biotechnology

2.5.1

Genetic engineering in legislation

The GenLex legislative project and the changes proposed by the SIA pertaining to the channeling of liability which were incorporated in the law were discussed in depth in the last four annual reports. The law entered the law books on 1 January 2004.

2.5.2

Genetic testing

The report and positional statement on the Federal Law on the Genetic Testing of Humans passed by the Federal Council on 11 September 2002 does not permit insurance companies to demand genetic testing. As to insurance companies' right of interrogation it proceeds from the principle of greatest risk. In so doing, this precludes insurance companies from asking about testing in connection with compulsory insurance. Insurers are afforded the right to ask in connection with voluntary insurance for endowment policies in excess of CHF 400,000 or disability insurance policies in excess of CHF 40,000.

Treatment of the draft bill was delayed because it wasn't dealt with by the National Council until March of 2004. The highly controversial right to ask about testing was passed by only a slim majority after having been rejected by a majority in the predeliberative committee. The bill now goes to the Council of States.

2.6

Other legal issues

2.6.1

Partial revision of the Federal Law on Data Privacy

The partial revision of the data privacy law has been pending since September of 2001. The Federal Council published the final draft bill including its report and positional statement on 19 February 2003. The SIA is not against the partial revision as such, but only against individual items:

- the form of the information obligation pertaining to when particularly sensitive personal data is gathered
- the obligation to submit information after the fact and inform the individual affected when an exception reason no longer applies
- the introduction of a protest procedure
- expanding the investigative powers of the Federal Commissioner for Data Protection in the private sector

The National Council's Committee for Legal Affairs conducted a hearing in January of 2004 at which the SIA was represented. Following the hearing the majority of the committee members were convinced that the proposed revisions would translate into a straightjacket for Swiss industry. Consequently, the committee motioned that the draft bill be rejected and returned to the Federal Council. The Council of States, as the first chamber, approved this rejection motion in the March session of 2004.

2.6.2

Penal Code and Code of Criminal Procedure

The revision of the General Part of the Penal Code passed by Parliament in December of 2002 will not enter into force before 2005. The revision introduces corporate criminal liability. In so doing, the Swiss Penal Code will depart from the principle that only natural persons can incur criminal liability. According to the new article 102, in the future a fine of up to CHF 5 million will be imposed on corporations when an act is committed in a company which is subject to criminal prosecution pursuant to the Penal Code (e.g. fraud, document forgery) and this crime cannot be attributed to a specific natural person on account of poor organization (referred to as subsidiary criminal liability). Apart from subsidiary criminal liability the new statutory extension provides for primary criminal liability on the part of a company for a series of criminal offenses (e.g. money laundering), meaning that the company is subject to criminal prosecution independently of natural persons when it can be shown not to have taken all necessary and reasonable organizational measures to prevent the crime from being committed.

In view of the enactment of this new article, the draft bill for the Unification of the Swiss Code of Criminal Procedure is also of interest. The 2001/2002 annual report contained a detailed review of the preliminary draft bill pertaining to the Swiss Code of Criminal Procedure and the SIA's comments issued in response to the consultation procedure. The Federal Council commissioned the Federal Department of Justice and Police to draft a report and positional statement on this by the end of 2004.

2.6.3

Copyright law

The Federal Law on Copyright and Associated Protective Rights stipulates that excerpted copies made of protected works in a company (e.g. excerpts from trade journals or newspapers) are permitted for internal information and documentation purposes and that royalties are payable to the Swiss Copyright Society for Literature and Fine Arts (ProLitteris), who then distributes the funds to the copyright owners. With the “photocopy tariff” (Joint Tariff 8), companies pay a royalty for the making of copies using photocopiers, telefax machines and printers.

According to the new Joint Tariff 9, a royalty is additionally payable in the future for the electronic copying of protected works using company networks. Joint Tariff 9 was negotiated between the copyright societies (e.g. ProLitteris) and the user associations and approved by the Federal Arbitration Commission for the Exploitation of Authors' Rights and Related Protective Rights in its resolution of 8 December 2003 in accordance with the provisions of the Copyright Act. The new tariff has been in effect since 1 January 2004 and will remain in force until 31 December 2005. It can be accessed at www.prolitteris.ch.

2.6.4

Federal Law on the Transparency of Public Administration

The private insurance industry is affected by the proposed bill insofar as it is subject to federal oversight and owing to the fact that government agencies are in possession of many documents on account of the reporting requirement incumbent upon insurance companies and the SIA's Self-Regulation Organization (SRO), documents which would have to be qualified as official within the meaning of the present bill.

In its positional statement of August 2000 issued in response to the consultation procedure, the SIA generally supports the enactment of a public record law, however it essentially criticizes the fact that, according to the draft bill, the private authors of documents – like insurance companies, for example – are excluded from the access procedure for official documents. Consequently, the SIA demands that the insurance companies concerned be included in the access grant process when a document they themselves have authored is involved.

The Federal Council published the final draft bill including its report and positional statement on 12 February 2003. The draft bill was passed by the Council of States as the first chamber in the winter 2003 session. The draft bill was deliberated in the National Council's Political Institutions Committee in the spring of 2004.

2.6.5

Reform of law pertaining to the consultation procedure

The federal provisions pertaining to the consultation procedure are to be enshrined in a new separate law. The Federal Chancellery submitted the draft revision to the consultation procedure in January of 2003. The SIA set forth its position in its petition dated 1 April 2003 and formulated its concerns for the consultation procedure. The Federal Council published the draft Federal Law on the Consultation Procedure including its report and positional statement on 21 January 2004. The SIA's concerns were considered in the final draft bill only in part owing to an initial summary examination of the case presented by the SIA.

2.6.6

Civil procedure law

Currently, each of Switzerland's 26 cantons has its own body of civil procedure law. Now this law is to be unified. In July of 2003, the Swiss Federal Department of Justice and Police submitted a preliminary draft bill pertaining to a Swiss Code of Civil Procedure to the consultation procedure.

The SIA voiced its stance on the preliminary draft bill in its communication dated 15 January 2004. The SIA welcomes the unification of Swiss civil procedure law. The SIA's main criticism is primarily directed against the associations' private law right of recourse that is to be introduced in tandem with the Swiss Code of Civil Procedure. The SIA roundly rejects the introduction of the right to institute group action on the part of an association in the proposed form. Like public law, private law justifies a plaintiff's right of action on the part of associations only in the event that a corresponding legislative need for action can be shown to be required in substantive law. It currently remains to be seen how the final draft bill will be formulated.

Individual insurance segments – current developments

3.1

Life insurance

2003 proved to be an extremely difficult year for Swiss life insurers. Despite this, life insurance companies managed to post positive results after incurring high losses in part during the preceding year. The key factors contributing to this positive turn of events were strict cost management via optimization of operations and job cutting, and the easing that took place in financial markets. However, insurance companies were able to only conditionally benefit from the improvement in the stock markets, as the majority of them were forced by solvency requirements to radically trim their stock portfolios the year before.

3.1.1

Individual insurance

In the course of 2003, insurance companies lowered the technical interest rate for new business to 2% as required by the supervisory authorities. This and the rally in the financial markets provided for an improvement in the situation of life insurance companies, however the continuing low interest level forced most companies to dispense with distributing any dividends again last year or to radically revise their with-profits bonus promises.

Individual insurance premium revenue declined on the whole in 2003. However, the performance of the individual insurance segments and companies varied considerably. Before the backdrop of low interest rates, single-premium insurance performed very poorly in part as compared to the previous year. However, single annual premium insurance performed favorably, exhibiting a slight rise.

3.1.2

Group insurance

The group business of life insurers also suffered in 2003 owing to two key factors, i.e. the conversion rate and the minimum interest rate. The lowering of the minimum interest rate to 3.25% as of 1 January 2003 provided some relief, yet this reduction proved insufficient in view of the continued low level of capital market rates. This problem was further compounded for insurance companies by the fact that the model used by the Federal Council for establishing the minimum interest rate didn't permit any forecast to be made concerning the amount of the minimum interest rate the following year. In contemplation of these uncertainties, two large insurance companies entered the market with new insurance models. They offered only limited interest rate guarantees for compulsory occupational pension schemes. At the same time they lowered the conversion rate to 5.83% for men and 5.45% for women, going well beyond the government-imposed rate. Other companies followed suit, including also introducing lower conversion rates going beyond the statutory minimum.

The departure from full guarantees which the insurance solution had offered up until then made for considerable commotion. This caused those in Parliament to realize that the reduction of the conversion rate from the current 7.2% to 6.8% in ten years' time was insufficient. In order to prevent the excessively high compulsory conversion rate from being cross-subsidized by a lower conversation rate going beyond what is required by law, the Council of States penned a motion demanding that the Federal Council draft a bill for a more rapid lowering of the conversion rate. This motion has yet to be dealt with by the National Council.

In September, the Federal Council set the minimum interest rate for 2004 at 2.25%. Although this is a further step in the right direction, the SIA is not

satisfied with the way in which the rate was established. Various companies resorted to canceling policies as a precautionary measure in order to protect themselves against an overly high minimum interest rate for 2004. Based on the experience with the procedure for setting the minimum interest rate, the SIA calls on the Federal Council to establish the framework conditions for the coming year in a timely manner and to establish objective and calculable criteria for determining the minimum interest rate and the conversion rate.

When viewed strictly in terms of figures, the group insurance business of Swiss life insurers reported a slight premium increase. This is in keeping with overall economic developments.

3.2 Health and accident insurance

3.2.1 General situation

A linear increase in compulsory accident insurance premiums as of the beginning of January 2005 is unavoidable in view of the increase in the incidence of loss in this insurance line and unfavorable developments in capital markets. The following are also being considered: an increase in the premium surcharge for non-occupational accident insurance and raising the ceiling for insured earnings. The Federal Council has yet to decide on this.

A new claim form is being introduced as of 1 January 2005 in compulsory accident insurance. The existing form had to be adapted because the Swiss Federal Statistical Office is seeking to collect more precise wage data for the wage statistics via the compulsory insurance claims filed, having made a corresponding change in article 105 section 5 of the Accident Insurance Ordinance. Satisfying these requirements means high administrative effort and expense for insurance companies and

is in no way related to the mandate of acting in the public interest conferred on them.

The SIA has been following the efforts of the Swiss National Accident Fund to expand its remit with considerable interest. The Fund's partial monopoly is primarily in reference to the secondary economic sector, which is in decline as compared to the service sector. In the view of the private business sector, the efforts of a public-sector enterprise to expand into other areas of business activity without there being a predominantly public interest pose a problem. That is why the SIA is decidedly against the Fund expanding its operations while retaining its special status.

3.2.2 Medical fees and compulsory accident insurance under the Accident Insurance Act

The following two topics took front and center stage during the period under review: the new medical fee schedule for out-patient hospital treatment (TarMed) and the Swiss DRG (Diagnosis-Related Group).

New medical fee schedule for out-patient hospital treatment (TARMED)

The new Swiss-wide unified medical fee schedule for accident insurance took effect on 1 May 2003. This fee schedule has also been applied in out-patient hospital treatment since 1 January 2004 (it is also entering into force in the health insurance area at the same time).

The Medical Fee Commission under the Accident Insurance Act (MTK) and the Swiss Hospital Association H+ signed a collective rate agreement in 2003, however they couldn't reach an agreement on a starting point value. The Federal Council set the corresponding starting point value for Swiss social insurance providers at CHF 1 on 20 November 2003, thus enabling it to be applied in the hospital area as well.

Private insurance companies have access to TarPoint, a computer tool for monitoring the medical costs associated with TarMed billing. Feedback has been positive, so that a second, updated version has been published.

The introduction of TarMed can be termed a success, despite a couple of teething problems encountered. There are a few individual questions which have to be clarified concerning the invoice forms and their content. In addition, this switchover triggered fear in some doctors; the corrections which had to be performed on account of the cost-neutrality principle were also met with incomprehension.

The introduction of TarMed represents a milestone: The outdated medical fee schedule and hospital catalogue of benefits and services have finally been replaced. They had ceased being updated or administered years ago; they compensated the services rendered by healthcare professionals in an unjust manner. The important thing now is to support the introduction of TarMed and to ensure that it is administered and updated in an efficient manner.

Various umbrella organizations have founded a forum for the purpose of transferring the invoices between service providers and insurance companies. The forum has already developed a new standard for electronic invoicing. This new "lingo" for the electronic transfer of healthcare professionals' and hospital invoices will be implemented starting in July 2005.

Swiss/DRG

The healthcare umbrella organizations of the Swiss Conference of the Cantonal Ministers of Health (GDK), hospitals (H+), health insurance funds (santésuisse), the Medical Fee Commission under the Accident Insurance Act (MTK) and the FMH have joined together to form a new association called Swiss DRG (Diagnosis-Related Group).

The plan is to reach a Swiss-wide agreement within three years pertaining to the principles to be applied in the performance-oriented compensation of acute somatic in-patient care.

This model is comparable to the APDRG lump sums (APDRG = All Patient Diagnosis-Related Groups) which have increasingly been applied for one year now to compulsory accident insurance services and benefits (cantons: Schwyz, Ticino, Vaud, Zug, Valais, Berne). This model will not only supersede current-day lump-sum per-diem rates but the more recent APDRG lump-sum rates as well. Introducing this medical fee system will enable the fees and cost of services of various hospitals and insurance segments to be compared.

3.3

Property insurance

3.3.1

General remarks

During the period under review, the premium growth noted in 2002 continued in 2003/2004 in the property insurance sectors for the most part. A slight decline was to be noted in fire business interruption insurance and theft insurance. Fortunately, a falling claims costs trend was to be noted on the whole in property insurance, this pointing to a "healthy" development. However, a substantial loss potential exists which bears considerable attention, particularly when it comes to storm, flood and other natural-disaster-induced losses.

It is important for the cantonal building insurance agencies and the private property insurers that the classification of the individual fire departments be done according to uniform criteria in order to enable a transparent risk assessment in all cantons. That is why the Association of Cantonal Fire Insurance Agencies (VKF/AEAI) and the SIA are currently in the process of surveying this area.

3.3.2

Swiss-wide earthquake insurance

The project of providing Swiss-wide earthquake insurance by incorporating earthquake coverage in natural-loss insurance has been submitted to the Federal Office for Private Insurance (FOPI) for approval. If the FOPI approves of the proposed solution, it will submit a petition for a corresponding change in the Ordinance Pertaining to Natural-Loss Insurance to the Federal Council. The SIA's objective is to have Swiss-wide earthquake insurance introduced as of 1 January 2006.

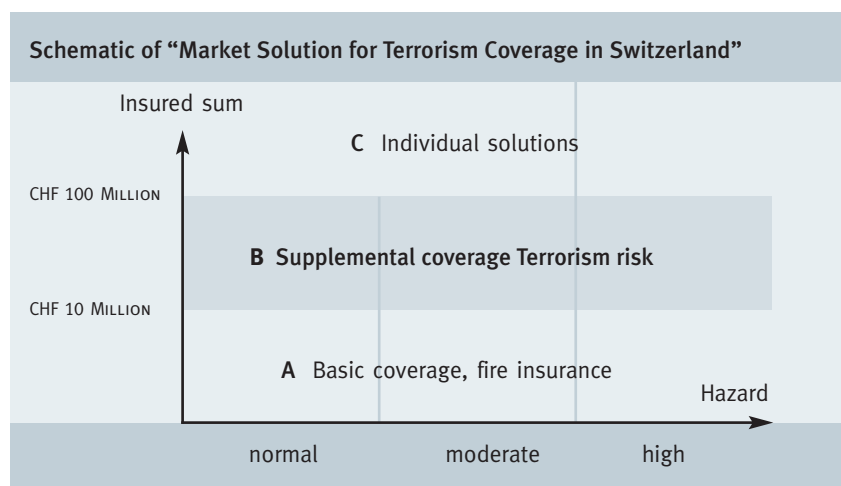
The Association perceives this project to be the first step towards finding a joint solution together with the cantonal building insurers. Although a number of preparations have been made with a view to this joint solution, it will take many years until they have been put into practice as a legal basis is currently lacking. Consequently, it is regrettable that the National Council Committee for the Environment, Spatial Planning and Energy decided in November of 2003 not to further pursue the project of an article to the Swiss constitution pertaining to the protection against natural disasters.

3.3.3

Coverage of terrorism losses

The necessity of an extended coverage endorsement in property insurance to cover terrorism risks was pointed out already in the 2002/2003 annual report on account of the fact that this risk is frequently not included in basic coverage. The SIA can offer a solution here: since the autumn of 2003 it is possible for primary insurers to jointly purchase reinsurance coverage via a renowned international reinsurer. In its position of 8 May 2003, the secretariat of the Swiss Federal Competition Commission assessed this procedure as not posing any violation of the Antitrust Act. Consequently, participating in the joint purchase of reinsurance cover-

age is now open to all property insurers who are licensed to offer fire insurance in Switzerland (i.e. including the few SIA non-member companies). The motivation of all groups with a vested interest to seek a joint solution was an effort to jointly purchase reinsurance – a capacity which was available only to a limited extent – and, thus, at substantially more favorable conditions in the global marketplace. Nothing will change for private individuals and small enterprises with insured values of less than CHF 10 million (subject to differing market behavior) because insurance coverage against terrorist attacks will continue to exist. Supplementary coverage can now be offered at affordable rates for risks over CHF 100 million without any heightened hazard potential (see diagram). The market will decide whether customers are aware of the risk and whether they will purchase this supplementary coverage.



3.3.4

Swiss Institute of Safety and Security

The Institute is positioned as a center of excellence for safety in Switzerland. Private insurers make a substantial contribution to the financing of the Institute by virtue of their membership dues.

The Institute has been in operation with its five new units since 1 January 2003. They are targeted to the respective market segment, customer requirements, and the associated business process. The approximately 100 staff members in the Risk Information, Risk Prevention, Risk Consulting, Process Safety Testing, and Finance & Administration units render their services in the Institute's branch offices located in Zurich, Basle, Neuchâtel. Only a relationship of confidence and trust between the Institute and its customers is able to foster prevention. This relationship of trust arises because the Institute offers its prevention services without any profit motive and advises its clientele in an unbiased and impartial manner. This means that the actual prevention work performed by the Institute lies in triggering safety and security investment, currently amounting to approximately CHF 100 million a year, and also in the cost-benefit optimization of this investment and verifying legal compliance.

The Institute has gone to considerable effort in making the support by the private insurers more visible to the Institute's customers. By the same token, plans for the future include making audit and inspection reports more easily accessible to private insurers on an IT platform.

3.4

Motor insurance

For decades it was not only possible but customary in motor liability insurance not to merely insure the minimum insured value as prescribed by law but rather to issue policies for unlimited coverage. Over 99% of all policies provided for this coverage. The year under review brought about a fundamental change as the primary insurers were no longer in a position to offer this unlimited coverage as they couldn't obtain reinsurance. Most motor insurers now offer coverage amounting to a maximum insured sum of CHF 100 million per loss.

Policies currently being issued generally provide for this maximum insured sum. In contrast, there are plans for increasing the statutory minimum insured sum in keeping with the rate of inflation. According to the decision of the Federal Council, the minimum coverage for cars, motorcycles and trucks is to be increased from the present CHF 3 million to CHF 5 million as of 1 January 2005 for personal injury and property damage together. Relatively few policies will be affected by this change in law, since the majority of all existing policies go far beyond the minimum coverage as prescribed by law by providing for unlimited coverage or the new CHF 100 million coverage.

Whereas the underwriting results of motor insurance improved slightly on the whole in 2002, most insurers were forced to introduce certain increases in insurance rates in 2003. The continuing rise in claims payments, particularly for personal injuries, prompted insurance rates to be increased in many places for 2004 as well.

The activities of the Motor Insurance Expert Commission (FKM) during the year under review were focused in particular on implementing the Electronic Insurance Card project. A set of detailed specifications was used to invite selected companies to submit offers to the SIA for creating a clearing office. According to the present schedule, both motor insurers and the vehicle registration offices will start introducing the electronic proof of insurance card step by step at the beginning of 2005. An extended transition phase is expected during which the card will be submitted to the registration offices in traditional paper form and in electronic form.

During the year under review, the Motor Insurance Expert Commission (FKM) dealt with numerous other topics and projects, e.g. the Telematics in Road Traffic project, direct regulation system, revision of the Insurance Contract Act, and the federal gov-

ernment's VESIPO project for traffic safety. The Commission conducted the usual information conference for the motor insurance unit heads of SIA members in order to inform them first hand about new developments relating to motor insurance. Finally, the Commission invited representatives of the German and Austrian insurance associations to a tri-country meeting. For better or for worse, Switzerland is being forced in many areas to follow developments in the EU, and to accordingly implement changes in Switzerland.

3.5

Liability insurance

On the whole, a slight increase in premiums and a drop in the incidence of loss were to be noted in general liability insurance. However, loss ratios (amount of claims filed as a percentage of earned premiums) continue to be on the rise.

3.6

Transport insurance

Premium revenue in this segment was very favorable during the year under review. However, this positive picture is somewhat marred by a simultaneous increase in the incidence of loss.

The General Insurance Conditions for Freight Transportation had to be revised as the result of newly recognized risks (terror, attacks employing new weapons, etc.). These guidelines are available to market players as non-binding recommendations.

The partially restructured evaluation of the joint statistics on transport insurance – which took place during 2002 – was implemented for the first time during the year under review and has proven itself in practice. The experience gained in the process has enabled a number of adaptations to be made. Consequently, this evaluation will be performed in a slightly modified form this year.

3.7

Technical insurance

In contrast to 2002, only a very slight premium increase was to be noted during 2003 in technical insurance. An increase in the incidence of loss was to be noted at the same time.

According to recent geological studies, the climate changes taking place in the medium term (global warming) are causing a glacier melt-back, a melting of permafrost and a concomitant degradation of soil stability in the Alpine areas of our country. This can have a knock-on effect on the stability of buildings, but also on equipment and systems located in the mountains such as mountain and funicular railways and the like.

3.8

Legal protection insurance

The upward trend in legal protection insurance continued last year. The gross premium revenue volume for 2003 is estimated at CHF 260 million (2002: CHF 250 million). The payments for insurance claims also increased again slightly during 2003.

Legal protection insurance is becoming increasingly important, because litigation is on the rise, with people increasingly seeking the services of attorneys or the courts in settling disputes. In this context it should be remembered that Switzerland's legal protection insurance market still has substantial room for continued growth as many people are not yet covered.

Employment affairs

4.1

Basic and advanced education and training

4.1.1

Overall concept for intercompany basic and advanced training

As noted in the 2002/2003 annual report, the SIA Executive Board assesses intercompany basic and advanced education and training in the private insurance industry to be on the whole good. Despite this, it noted certain gaps, particularly in qualified specialist knowledge and advanced management training. Consequently, the Institute for Insurance Economics (I.VW) of the University of St. Gallen was commissioned at the end of 2002 to draft a study entitled "Overall Concept for Intercompany Basic and Advanced Training in the Swiss Insurance Industry". The study was finalized during 2003 in the course of in-depth discussion which took place between the experts of the Institute for Insurance Economics, the members of the SIA's Human Resources and Training Commission, and representatives of the Insurance Industry Vocational Training Association (VBV/AFA), and adopted in February of 2004. The study will be submitted to the SIA's Executive Board in April of 2004, who will decide about implementing the measures proposed in the study.

The centerpiece of the overall concept is 4 strategic options, which are designed to represent the cornerstones of the SIA's intercompany basic and advanced education and training in the future.

- *Basic knowledge level: basic commercial training program.* No fundamental changes need to be made at the basic commercial training level. The Insurance Industry Vocational Training Association ensures the existing high quality of the occupational training program (dual training system combining schooling and in-company training).

- *Basic knowledge level: intermediary qualification.* The SIA ensures a new binding certification of field staff via the Industry Vocational Training Association. Entry in a register has to represent a quality standard recognized by the market. Access to further qualifications has to be possible.

- *Qualified specialist education and training.* The SIA operates a newly established practice-oriented "Insurance Expertise Center" via the Industry Vocational Training Association for maintaining and improving specialist knowledge and skills. The target group is qualified specialists/team leaders from the front/back office and the field. The future positioning of the certificate and the diploma is the subject of an in-depth investigation.

- *Insurance management.* The SIA is establishing in close collaboration with the Institute for Insurance Economics (I.VW) of the University of St. Gallen an advanced education and training center for securing future management manpower, the ultimate goal being the center's international positioning as a management school. Target group: management-level staff such as department heads/business unit heads or members of executive management and mid management level staff exhibiting development potential.

Realizing the strategic options as defined in the overall concept would mean a paradigm shift. The intermediary qualification, and particularly the Insurance Expertise Center and university-level management school, would mean venturing out into uncharted waters. The goal is to maintain, at a high level, intercompany basic and advanced training programs in the Swiss private insurance industry which are in keeping with in-company training offerings, and to continuously adapt them to changing exigencies, especially with regard to qualified specialist knowledge and management. Practical relevance and, as applicable, an international perspective are key elements of this con-

cept. The coordinated education and training activities of the SIA are also designed to relieve SIA members of the expense and effort of having to maintain their own basic and advanced education and training programs by eliminating overlap and splintering and utilizing synergistic potential.

4.1.2

Insurance Industry Vocational Training Association

Elections of the executive board and the managing director's board of the Insurance Industry Vocational Training Association (VBV/AFA) took place at the meeting of delegates on 21 May 2003. During the year under review, the new executive board focused primarily on strategic issues relating to the "Overall Concept for Intercompany Basic and Advanced Training in the Swiss Insurance Industry" study (see section 4.1.1). As a consequence, during its working retreat in December the board developed its future strategy. In so doing, it designated four strategic operating areas: 1.) learning and instruction media, 2.) qualified specialist knowledge, 3.) intermediary qualification, and 4.) basic commercial training program. As a result of the study and the SIA's mission statement pertaining to occupational training contained in it, there are a numerous tasks for the Insurance Industry Vocational Training Association to be given concrete form during the current year.

4.1.3

Advanced education and training: diploma and certificate

The following modules were offered in the insurance specialist degree program (eidg. dipl. Versicherungsfachexperte or Swiss-Certified Insurance Expert Diploma): the core module "Methods and Networking" and the sector-specific modules "Risk Management", "Insurance Techniques", "Product Management", and "Reinsurance". These seminars prepare the participants for the diploma, but can also be completed independently of the diploma program.

For years now, western Switzerland has been struggling with a decline in the number of course participants in the insurance modules. The regional occupational training groups joined together and founded the Romand Institute for Insurance Education and Training (IRFA) on 30 January 2004. The IRFA makes available advanced insurance training and education offerings throughout western Switzerland for the certificate and diploma levels.

During the year under review, the training curricula of the Insurance Industry Vocational Training Association (VBV/AFA) were adapted in collaboration with key experts and educators in accordance with the updated guidelines of the Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP). In addition, the VBV/AFA course materials for the modules "Fundamentals of Personal and Social Insurance", "Accident and Medical Insurance", "Property Insurance", and "Insurance Law" were updated by educator teams. The national course program, including the entire insurance module course offerings at the VBV/AFA's partner schools, was distributed in electronic form as a newsletter for the first time in March of 2004.

4.1.4

Trade literature

During the year under review, the new reference guide *Personen- und Sozialversicherung – Grundlagen* ("Personal and Social Insurance – Fundamentals") was published in German. This work was also translated into French and Italian. *Technische Versicherungen* ("Technical Insurance") was also published, in German.

4.1.5

Reform of basic commercial training

The model programs for the “B profile” – or basic education and training program – and “E profile” – or extended basic education and training program – were supplied for the beginning of the 2003 trainee year in all three languages. In introducing the new basic commercial training tools, the VBV/AFA conducted information events and training sessions for examination experts, vocational training instructors, and heads of intercompany courses. The new trainee handbook entitled insurance@work was launched successfully with the publication of the first and second modules Idee Versicherung (“Concept of Insurance”) and Kunde und Versicherung (“Customer and Insurance”). The instruction portal at www.insuranceatwork.ch is now on line. In addition to a public area providing general information on the in-company training part of the basic occupational training program, it contains a restricted-access guided learning system for trainees and vocational training instructors.

4.1.6

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

In 2003, three new Swiss organizations were accepted as administering institutions, bringing the membership of the Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP) to eight. The new administering institutions are: the Financial Planning Interest Group of Swiss Associations of Bankers and Financial Planners (IGBF), the Swiss Association of Accredited Insurance Specialists (ASDA), and the Swiss Association of Financial Planners (FPVS).

Starting with the founding of the BVF/BAP, the number of candidates sitting the modular BVF/BAP examination was on the rise until 2002. In 2003, a decline in participants was to be noted at the certificate level, although there continued to be a definitive increase at the diploma level. As to developments in the near future, the BVF/BAP is expecting a slightly lower overall number of candidates and examinations.

The difficult economic climate of the Swiss financial services industry has prompted insurance companies and banks to rethink the advanced training and education offerings. The diplomas in particular have come under pressure. Today, there are institutions and organizations on the market with in some cases shorter or more specific program offerings; polytechnics offer post-graduate courses in insurance and banking. Programs like these have existed for financial planning for quite some time now. That is why the positioning and conceptualization of the BVF/BAP diplomas have to be rethought.

In the 2003 examination year, 3,607 completed the ca. 14,500 module examinations in 53 modules (certificate and diploma level, in three languages).

4.2

Regulations pertaining to insurance brokers

The new Insurance Supervisory Act also covers the regulation of intermediaries in Switzerland. The law makes entry in a register mandatory for intermediaries/brokers; entry is voluntary for the intermediaries of a company’s own field service. Entry in the register is subject to compliance with requirements pertaining to education & training and financial security.

The SIA has decided to create a qualification specifically for insurance field staff. The associated preparations within the SIA have been concluded for the most part; the Insurance Industry Vocational Training Association (VBV/AFA) will be in charge of implementing the regulations pertaining to education and training.

Various key implementing regulations are remitted by the Act to the ordinance procedure. A consultation procedure is to be conducted on this in the early summer of 2004 in which the SIA will participate.

4.3

Insurance Compensation Office

During fiscal 2003, the Insurance Compensation Office collected in excess of CHF 547 million in contributions for the Old-age and Surviving Dependents' Pension/Disability Insurance Schemes (AHV/IV), Income Compensation (EO), and unemployment insurance. This corresponds to a sector wage volume of approximately CHF 4.37 billion. As compared to the year before, the wage volume decreased by approximately 2.8%. During the same period, the Office disbursed CHF 215 million in AHV pensions, CHF 37 million in disability (IV) pension benefits, and CHF 10 million in income compensation benefits. As of the end of 2003, the Office registered 10,477 AHV pensioners and 2,344 disability (IV) pensioners.

The 9 staff of the Insurance Compensation Office also administer 3 funds for family allowances in the insurance sector (the cantons of Bern, Lucerne, Thurgovia). In the cantons of Zug and Grisons there is an agreement with the cantonal family compensation fund, which enables a clearing center to be operated.

The entry into force of the 4th revision of the Disability Insurance Scheme (IV/AI) on 1 January 2004 necessitated adaptations in the computer program for computing and transferring benefit payments.

Medical Service

The initial documentation sheet subsequent to whiplash (or cervical acceleration/deceleration [CAD]) was successfully introduced Swiss-wide in all doctor's offices and emergency rooms in 2003. This medical document enables data to be collected on all patients, the patients to specifically receive a musculoskeletal and neurological examination, and then receive further treatment in accordance with recommendations issued by a Swiss working group on diagnostics and therapy during the acute stage subsequent to whiplash. The object is to prevent chronicity-induced problems by way of optimal treatment and rapid reintegration. The documentation sheet has met with wide acceptance.

The study on computing vehicle loading in rear-end collisions at low speed was completed. These crash tests – documented employing exacting standards – will be made available in a publicly accessible database at www.agu.ch. This is designed to make a significant contribution to standardization, transparency and quality enhancement, plus improve the ascertainment of the facts of a case.

RAND study on whiplash: Results and recommendations were incorporated in a case management checklist, to be made available to the loss adjusters in the various insurance companies. Publication of the results is scheduled for the spring of 2004.

The Rehab Catalogue was uploaded to the SIA's website at med.svv.ch in November of 2003. It provides information on the providers of rehabilitation services. The database contains information which has been released by the rehab service providers which can be queried. The object of this catalogue is, proceeding from a requirements specification, to seek out the optimal service provider for the fastest possible rehabilitation and reintegration and to enable the patient to undergo further therapy there.

Prevention

The SIA's Commission for Prevention, which administers the premium surcharge of the non-occupational accident insurance (NBU-PZ), drafted a new strategy last year. In the future, the SIA plans to conduct more prevention campaigns of its own in lieu of promoting third-party projects. The SIA is kicking off with "*ich blick durch*" ("Knowing is Seeing"). In this project, protective goggles are being distributed to DIY enthusiasts. This is designed to prevent eye accidents – in view of the 250 accidents reported every day in Switzerland. In parallel, the SIA will continue its collaboration with the Swiss Council for Accident Prevention (cap). During the current year the SIA is again funding the campaign "enjoy sport – protect yourself", which is designed to heighten the public's awareness of the accident risk involved in sports.

Combating insurance fraud

7.1

General remarks

The efforts to detect attempted fraud have continued to be stepped up by many companies. The staff of fraud units has been increased in many companies. For example, electronic fraud detection systems have been deployed in some quarters. Electronic programs have also been developed for complex cases of fraud, including those at the intercorporate level, the programs being capable of pointing to revealing correlations and links between various claims and the individuals involved. Nowadays, special importance is attached to the training and sensitization of loss adjusters with regard to combating fraud. Today it is an undisputed fact that professional fraud combating not only has a positive impact on the loss ratio but on the earnings situation as well. Yet efficiently combating fraud doesn't begin with loss adjustment but rather with the risk assessment. And not only that: Insurance companies perceive it to be one of their tasks to combat fraud also for moral and ethic reasons, as the risk group of honest customers expects insurance companies to only settle legitimate and legal claims. As a consequence, efficiently combating fraud also becomes a question of credibility for insurance companies.

7.2

Impact of the Central Information System

For years now, the fraud combating measures of individual insurance companies have been supplemented by intercorporate measures. One of these measures is the Central Information System (or ZIS register), which is maintained by the SIA on behalf of all participating companies. During the year under review, this system was transformed into an electronic database with a view to boosting efficiency. Access to the database is subject to strict rules: the ZIS register can only be used by those with the appropriate software, several passwords, and a certified key.

The statistics of the year under review reveal that a total of 886 (2002: 772) cases of fraud (individuals and companies) were newly entered in the ZIS register, thus reconfirming the trend extending back many years of a steady increase in the number of new entries. Once again, about half of all recorded fraud cases were accounted for by motor insurance. As usual, bogus claims were also filed for house contents and liability insurance. The entries pertaining to personal insurance were mainly the result of concealing information or providing false information when taking out a policy.

7.3

Intercorporate cooperation

A survey conducted on behalf of the SIA during the year under review revealed that every fifth individual surveyed knows someone who has filed a padded insurance claim. Over 90% of those surveyed were in favor of insurance companies detecting attempted fraud, saying that they thought those caught ought to be prosecuted more severely. Plus which, numerous reports appeared in the media of cases of attempted fraud which were detected and court cases involving fraud. It is cases and facts like these which causes combating fraud to continue to be accorded high importance. The SIA's Insurance Fraud Commission is currently pursuing the objective of preventing unjustified multiple benefit payments in motor insurance in the future. The Insurance Fraud Commission also regularly organizes conferences for insurance and non-insurance (i.e. external) experts.

Public relations work

8.1

Media relations

8.1.1

Annual media conference

The SIA's traditional annual media conference took place in Zurich on 21 January 2004. It was attended by ca. 45 media representatives from the German-speaking part of Switzerland, French-speaking Switzerland and Ticino, in addition to neighboring countries. The speakers were Albert Lauper, CIA Chairman (tour d'horizon, political conditions, communication), Josef Bättig, chairman of the SIA's Life Committee (adaptations in occupational pension schemes), and Lucius Dürr, SIA Director (unisex premiums).

8.1.2

Media communiqués and inquiries

During the period under review, the SIA issued media communiqués on a wide variety of current events, all available on its website (www.svv.ch). The members of the media exhibited considerable interest in the following topics: questions related to occupational pension schemes, financial market oversight, solvency, accounting and auditing practices and principles, the equity of insurance companies, and reform of the Insurance Contract Act and Insurance Supervisory Act. They were also interested in practical issues like loss adjustment in connection with multiple-car crashes, interpretation of the Insurance Contract Act, and liability issues concerning demonstrations.

8.2

SIA website

The SIA went on line with its newly designed and revised website (www.svv.ch) at the beginning of December 2003, retaining the original content and complementing it with new features. The clear-cut navigation structure was retained as was the wealth of information offered. The SIA's website has experienced a steady increase in the number of visitors to the site, now amounting to 12,000 a month.

8.3

SIA extranet

The SIA's extranet is beginning to become established as a web-based information and working tool. Inside – the information platform accessible for the most part to all staff of the SIA's members – contains up-to-the-minute information along with in-depth reports and positions of the SIA on political issues relating to insurance. Office – the working platform – already enables interactive collaboration of the SIA's many bodies, in addition to serving as an electronic filing cabinet. In so doing, the extranet provides ideal conditions for optimizing the flow of information between SIA members, specialist bodies and the Head Office.

8.4

Publications

The SIA's reference folder "Facts and Figures 2004 – The Private Insurance Industry" was published just in time for the media conference in January. "About Us", the brochure detailing the SIA's objectives, organization and remit, is available in German, French and English. The guide on compulsory accident insurance has been newly published. All brochures are available in PDF format or can be ordered as a print publication on the SIA's website (www.svv.ch).

8.5

Prevention projects

The SIA's Storm & Tempest Pool sponsors the instruction project Protection.Forest.Man (www.schutz-wald-mensch.ch). Instruction paths are being created at eight locations in mountain areas in Switzerland which teach visitors about the protection provided by intact forests and how they help to prevent natural hazards, enabling the visitors to have fun at the same time. The Poschiavo (Grisons) and Werdenberg (St. Gallen) paths were opened in June and September of 2003.

The kick-off of the "enjoy sport – protect yourself" (www.enjoysport.ch) took place in mid May 2003 with commercials, billboards and posters. Realized by the Swiss Council for Accident Prevention (cap) and financed by the SIA, this prevention campaign is designed to increase the percentage of people wearing protective gear when engaging in winter and summer sports.

The SIA began distributing approximately 20,000 protective goggles to DIY enthusiasts in the autumn of 2003. There are specific rules and regulations in the workplace pertaining to the wearing of protective eyewear, yet there is a lack of awareness of this problem once people leave the workplace.

The Swiss Toxicology Information Center (Tox) can now be reached under the emergency number 145. Being a Tox partner, the SIA financed an advertising campaign for this in November of 2003.

The members of the Storm & Tempest Pool sent well over 1 million copies of the SIA flyer "When the water comes" (www.svv.ch – Publications) to its policyholders. This colorful flyer contains practical tips for policyholders on how they can effectively protect their homes and furnishings against flooding.

8.6

Other information activities

During 2003, the Association again ran an informational advertising campaign entitled the "Insurance Advisor", with pieces appearing weekly in *Sonntagsblick*, and in *Le Matin*, *Tribune de Genève* and *24 heures* in Western Switzerland. The pieces were featured as an editorial column. The topics were chosen from all of the main insurance areas. The selection of questions was in keeping with the seasonal requirements of policyholders and current political and economic developments affecting the insurance industry.

Internal communication extends to making available information to SIA members and the SIA's commissions and committees as needed. These are core activities of the SIA's Head Office. Reporting is done electronically to the Executive Board every two weeks. In addition, CEO Information, a bulletin in electronic form, is receiving considerable attention. Up-to-the-minute information is published on the extranet for our members every day.

The CEA Newsletter and, as the situation warrants, an electronic press review is distributed to the Executive Board and those in charge of communications.

Finally, the events organized by the SIA on occupational pension schemes have met with considerable interest. The current situation in the second pillar was explained to partners from the various trade associations and representatives of SMEs.

Private Insurance and SUVA Ombudsman

The Private Insurance and SUVA Ombudsman was faced with processing a considerable increase in the number of queries and complaints. As Ombudsman Head Mrs. Lili Nabholz wrote in her annual report, "The substantial uncertainty on the part of many in the public at large resulted in an increased utilization of the services offered by the Ombudsman." The growing number of, and in some instances extremely complex cases are handled by a relatively small team. During the year under review, the Ombudsman dealt with a total of 3618 cases, of which 654 concerned life insurance, 496 each concerned medical and motor liability insurance, and 409 general liability insurance. The disproportionately large increase of the previous year continued for personal insurance; the great majority of queries relating to health and accident insurance concerned loss adjustment, whereas they were focused on the contract as such (transparency) for life insurance. Generally speaking, many of the complaints lodged were directed at the poor or even wrong advice given when taking out the insurance policy. The complaints relating to the sanctions imposed in connection with non-compliance with disclosure obligations turned into an ongoing hot-button issue. A large number of complaints were received concerning the cancellation of the policy when claims were filed, particularly for house contents, liability and legal protection insurance.

Association news

10.1

Membership

In referring to the list of members in the Annex, the reader will note that the Association featured 70 members as of the end of March 2004. The following members left the Association during the period under review: Gerling Globale Rück and Securitas Bremen. New SIA members: XL Insurance, Innova and Revios Rück.

10.2

Annual General Meeting

The 73rd SIA Annual General Meeting took place on 11 June 2003 at the Casino Theater in Winterthur. The delegates of 61 members were in attendance. As usual, a large number of guests took part. The talk given by SIA Chairman Hansjörg Frei was entitled "Twenty Years of Insurance – Impressions and Experience". In his special guest talk, FOPI Director Prof. Herbert Lüthy dealt with the "Future of the Oversight of the Insurance Industry". The text of the two talks can be accessed on the SIA's Website (www.svv.ch).

The ordinary business did not give rise to any debate. Albert Lauper, Mobiliar Board Chairman, was elected the new SIA Chairman, replacing Hansjörg Frei. Martin Zellweger (Generali) did not seek reelection to the Executive Board. The following were newly elected to the board: Urs Berger (Mobiliar), Rolf Dörig (Swiss Life), Philippe Egger (Winterthur), Alfred Leu (Generali) and Martin Strobel (Bâloise). The other board members were reelected, as were the chairmen of the Life, Medical/ Accident and Loss Committees.

10.3

Executive Board/Board Committee

The Board convened four times during the year under review to discuss its business. The six-member Board Committee met considerably more often than it had previously. The preparation of the main business dealt with by the Executive Board is taking increasingly more time. In view of the quick-paced changes during 2003 affecting the insurance sector, decisions frequently have to be made which can't be postponed. – In fall of 2003 Gerd-Uwe Baden (Allianz Suisse) resigned as Board member.

10.4

Committees

The establishment of the Life, Medical/Accident and Loss Committees which occurred in connection with the association merger at the beginning of 1998 has proved an organizational success. In August 2003 the Executive Board resolved that an Economy & Financial Affairs Committee be established. The following intersectoral commissions report to this committee: Investment, Financial and Monetary Issues; Taxation; and Accounting and Reporting. The Economy & Financial Affairs Committee is tasked with monitoring developments in financial market oversight and accounting in the broadest sense of the term, both at the national and international level.

10.5

Head Office

The Head Office with its 30-strong staff in 5 units (Personal Insurance, Indemnity Insurance, Economy & Financial Affairs, Law, and Communications) deals with a comprehensive catalogue of insurance issues. For more details, please refer to the organizational chart in the Annex.

During the year under review, the wide variety of different tasks which the Association had to attend to were systematically compiled into a “plan of action” for the first time. The plan of action details the overriding objectives as well as organizational goals; it also formulates the subject-matter objectives for the individual units, with the key measures, scheduled time and priority being detailed in addition to the objective. SIA bylaws have also been drafted. The bylaws detail the general management guidelines and the remit of the Association’s committees and bodies. They establish the organization of the Head Office in addition to the powers of representation and signatory powers. The enhanced systematization and formal structuring of the Association’s work is embedded so to speak in the SIA’s portrait, or mission statement. The portrait features statements about the Association’s self-image, its objectives, and the main points of emphasis of its strategic program. The portrait was approved by the Executive Board in November of 2003.

10.6

Commissions and other bodies

The work of the various commissions, working parties, project groups, delegations and task forces at the central and committee level again occupied front and center stage in the Association’s work. The SIA’s “double-duty volunteer system” – in which members contribute their time in addition to their normal duties at their corporate employers – continues to play a key role within the Association: It is only thanks to the willingness of the member companies to “loan” their specialists for the important work of the individual bodies that it is even possible to manage the multiple, comprehensive and increasingly complex and urgent work of the Association from the comparatively small Head Office. An organization chart of the main specialist bodies (permanent expert commissions) and commissions of the four committees is inclu-

ded in the appendix. For details on the members of the SIA’s various bodies, refer to the SIA publication entitled “Swiss Insurance Association Bodies”, available from the Head Office.

International



European Union

1.1

“Bilateral Treaties II”

The seven bilateral treaties between Switzerland and the EU approved by the Swiss electorate on 21 May 2000 went into effect in mid 2002. At the end of January 2002, the Federal Council passed the negotiation mandates for a total of 10 areas on which Switzerland and the EU have been seeking to conclude bilateral treaties. The following topics are covered by the treaties: taxation of interest, combating fraud, Schengen/Dublin, services, pensions, processed agricultural products, the environment, statistics, education/vocational training/youth affairs, and the media.

The negotiations between Switzerland and the EU progressed well during 2003; bilateral treaties have been concluded on various areas or these areas no longer pose any essential content issues. Negotiations were temporarily stalled at the beginning of 2004. The following topics are the most controversial both politically and objectively: taxation of interest, Schengen/Dublin, and combating fraud. Switzerland's position is to only ratify the Bilateral Treaties II as a whole.

The service sector, which takes front and center stage for the insurance industry, was jettisoned de facto from the package. In several petitions addressed to the State Secretariat for Economic Affairs (seco), the SIA clearly came out in favor of bringing about mutual free trade in services. The insurance agreement with the EU currently in effect only covers the right of establishment and non-life insurance. Bringing about comprehensive deregulated free trade in services would be in keeping with the Association's basic position on regulatory policy. Consequently, the SIA would basically be prepared to adopt the *acquis communautaire*.

In talks with representatives of the Swiss negotiation delegation, the SIA pointed to only four items which required in-depth analysis as concerns the deregulation of the insurance business within the framework of the service sector agenda: the problematic situation of the building insurance monopolies, cross-border institutions for occupational retirement provision, the need for the regulation of reinsurance companies, and the implementation of the visitor protection directive.

1.2

Developments in contract law

As concerns insurance, European Community Law primarily means supervisory and accounting law. In contract law, unification has been of marginal significance to date. It is restricted to the harmonization of individual issues, e.g. disclosure obligations. Currently discussion has been renewed on a more comprehensive harmonization of insurance contract law. This topic is not new. The European Commission had once before pursued the objective of harmonizing the insurance contract law of the Member States only to withdraw its draft directive pertaining to this in 1993.

The current debate is being spearheaded primarily by the research group on Restatement of European Insurance Contract Law. This group is a private association of legal scholars from 13 European countries. Switzerland is represented in the group by Prof. Anton Schnyder of the University of Zurich. As its name implies, the group is currently in the process of drafting a restatement by way of a Europe-wide collaborative effort which might serve as a model for the unification of insurance contract law in Europe.

1.3

Lamfalussy procedure

The “Lamfalussy procedure” – designed to accelerate the legislative process for a contemporary financial market – is now taking on concrete form. On 5 November 2003 the European Commission submitted a package of measures for improving the regulatory framework for banks, insurance, investment funds and financial conglomerates, in so doing applying the Lamfalussy procedure to the insurance sector. This was expounded on in detail in the last annual report.

The Commission’s package of measures provides for the establishment of two new committees for the insurance sector: 1.) The European Insurance and Occupational Pension Committee – or EIOPC – is designed to support the European Commission in adopting implementation measures associated with EU framework directives and, thus, supersede the former Insurance Committee (IC). 2.) The Committee of European Insurance and Occupational Pension Supervisors – CEIOPS – has been established. However, the transformation of the IC into the EIOPC can only take place by way of a directive within the framework of a codetermination procedure (step 1), which is why it must first pass through the European Council and the European Parliament.

The organization of CEIOPS is also of interest. Pursuant to the resolution passed in January 2004 it will be domiciled in Frankfurt am Main. Four working groups – on financial stability, solvency requirements, pension funds and internal control mechanism – are to be created which will report to this committee, thus underscoring the high expectations being made of this legislative procedure in the insurance sector. How these committees react to the future challenges posed to the insurance sector will have far-reaching implications for the insurance industry.

1.4

Institutions for occupational retirement provision (IORPs)

The EU Council of Ministers adopted the “Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision” on 3 June 2003. It will enter into force in mid 2005.

The directive establishes minimum oversight standards so that the financial oversight of the country of origin of IORPs would basically be recognized throughout the entire European Union.

The directive extends to pension schemes, retirement funds and, insofar as a member state so decides, the occupational pension scheme business of insurance companies which fall under directive 79/267/EEC.

Other international organizations

2.1

International Association of Insurance Supervisors (IAIS)

The IAIS's annual general meeting took place in Singapore in October of 2003. It adopted the following papers: Insurance Core Principles and Methodology; Supervision of Reinsurers; Solvency Control Levels; The Use of Actuaries as Part of a Supervisory Level; Stress Testing; Quantifying and Assessing Insurance Liabilities; and Securitization.

With these topics the IAIS is addressing current insurance issues, providing national oversight the impetus in part for the implementation of requirements being discussed at the international level. This organization assumes the role of a leading mind with regard to new findings relating to insurance oversight.

2.2

OECD

Headquartered in Paris, the goal of the OECD is to promote good governance at the political level, advance liberalization at the economic level, and contribute to sustained growth. The Insurance Committee, which is chaired by Kurt Schneider (Federal Office for Private Insurance), is concerned with regulating the private insurance sector in the broadest sense of the word.

The Insurance Committee conducted four-day meetings in July and December of 2003. Two days of each meeting were taken up by plenary deliberations, with those of the Working Party of Governmental Experts on Insurance Solvency taking one day each. Switzerland took part in the deliberations of the Insurance Committee by way of a delegation comprised of representatives of the Federal Office for Private Insurance, the Federal Department of Foreign Affairs, and the SIA, and a number of SIA members.

The points of emphasis on the agenda of the July and December meetings:

- Corporate Governance
- Coverage of terrorism losses
- Environmental liability
- Accounting
- Financial conglomerates
- Private health insurance
- Private old-age pensions

2.3

WTO/GATS

The WTO Minister Conference in Cancun, Mexico, which took place from 10 to 14 September 2003, was marked by heated debate pertaining to agriculture and subsequently the Singapore topics (direct investment, competition, easing of trade restrictions, and public procurement). On the last day Foreign Minister Debrez, who presided over this conference, stated that he no longer perceived there to be any basis for compromise. He then adjourned the conference.

In its meeting on 15 December 2003, the WTO's General Council proved unsuccessful in passing new directives for negotiations on the Doha Round and thus revitalizing the stalled Dossiers. However, the negotiation groups will reconvene at the beginning of 2004. It remains uncertain whether there will be a WTO Ministerial meeting in 2004 in Hong Kong and whether the Doha Round can be concluded by 1 January 2005 as scheduled.

CEA

The General Meeting of the CEA took place in Paris on 19 June 2003. It was chaired by its Dutch chairman, Gijsbert Swalef. The CEA took this opportunity to celebrate its 50th anniversary. The Liechtenstein Insurance Association was accepted into the CEA as a full member. The reports of the individual committees and the CEA annual report were approved; the strategy plan for 2003 to 2006 was passed.

Gérard de la Martinière, chairman of the French Insurance Association was elected the new CEA chairman at the 2004 General Meeting. Peter Eckert, former CEA chairman, was elected Vice Chairman. As of the 2004 General Meeting he will be resigning from the CEA executive board, which will mean that Switzerland will no longer be represented in the CEA's supreme executive body for the first time in many years. In so doing, this key contact of the SIA will no longer be present. This means that contributing to the work in the various committees and being actively present at the meetings of the managing directors will be all the more significant.

International accounting and solvency issues

4.1

International Financial Reporting Standards (IFRS)

During the year under review, the International Accounting Standards Board (IASB) continued on its course of introducing fair value-based method of accounting. Whereas fair value assessment on the assets side is currently possible, there aren't as yet any recognized, generally valid rules for the fair value-based measurement of liabilities. Since the latter accounts for a substantial portion of what is shown on an insurance company's balance sheet, e.g. provision for claims in the non-life business or premium reserves in the life business, reporting them at fair value is key. The decision to split the introduction of the new valuation rules into phase I (starting on 1 January 2005) and phase II (officially delayed until 2007) is resulting in a distorted reporting of assets and liabilities as no agreement has been reached between the IASB and the insurance sector on fair value-based measurement, particularly of liabilities.

4.2.

Solvency II

This EU project has been in the pipeline for some time now and is making very slow progress. This is due to the fact that the discussions pertaining to the IFRS standards are not progressing as planned. On the other hand, the Solvency II project is being driven by the Lamfalussy procedure, which provides for a broad, four-step collaboration in the legislative project. This procedure will create further delay until the Solvency II regulations are ready to be introduced in the EU.

Revenue account

The Swiss National Bank (SNB) has been conducting surveys of the insurance companies operating at the international level since 1999 in order to gauge the cross-business of the Swiss private insurance sector. The findings of the survey for 1999 to 2002 can be summarized as follows (figures are given in CHF million):

	1999	2000	2001	2002
Value of services exported (revenues)	2852	2441	1796	3730
Value of services imported (outlays)	125	125	125	133
Balance	2727	2316	1671	3597

The export side of the SNB's survey essentially includes earned premiums for own account from outside of Switzerland (with most of this amount being attributable to reinsurance) and investment income from the cross-border premium business. (The investment earnings of foreign subsidiaries, etc. are not listed in the balance of invisible trade (services account) but rather in the investment income account.) These revenues are juxtaposed by the incidence of loss (number of claims) and the insurance benefits for own account disbursed abroad, the difference resulting in the revenue of the private insurance industry in the cross-border insurance business.

Statistics



1

Insurance companies in Switzerland

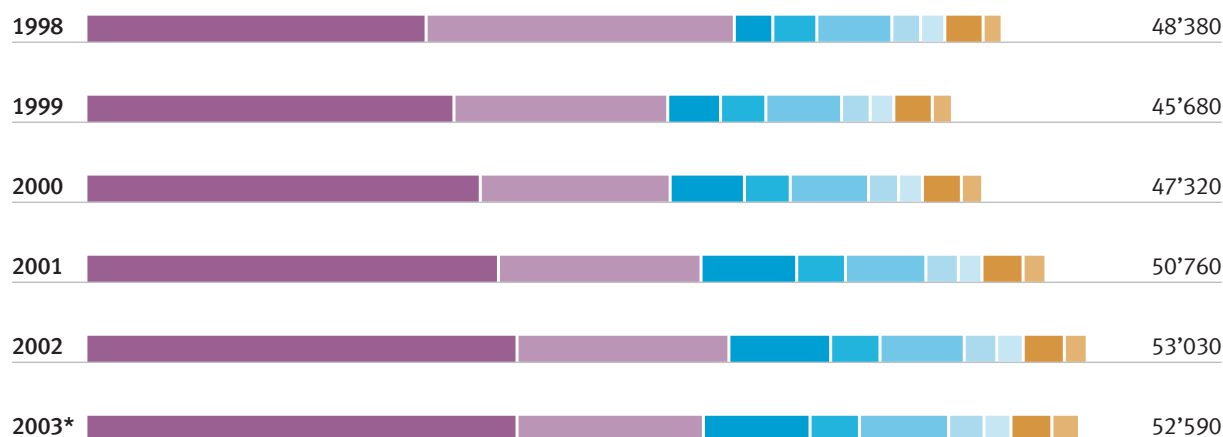
Insurance companies in Switzerland 1990–2003 (Source: Federal Office for Private Insurance)

		Life	Non-life	Reinsurance	Total
31.12.1990	Switzerland	26	65	14	105
	EU		21		21
	Rest of world		3		3
	Total	26	89	14	129
31.12.1995	Switzerland	30	73	23	126
	EU		26		26
	Rest of world		2		2
	Total	30	101	23	154
30.9.2000	Switzerland	28	73	35	136
	EU	2	32		34
	Rest of world		3		3
	Total	30	108	35	173
31.8.2001	Switzerland	28	79	44	151
	EU	2	32		34
	Rest of world		3		3
	Total	30	114	44	188
30.9.2002	Switzerland	24	78	51	153
	EU	2	35		37
	Rest of world		3		3
	Total	26	116	51	193
30.9.2003	Switzerland	24	79	55	158
	EU	2	35		37
	Rest of world		3		3
	Total	26	117	55	198

Premium income

Premiums according to insurance sector, direct Swiss business 1998–2003

Figures in million CHF (Source: Federal Office for Private Insurance)

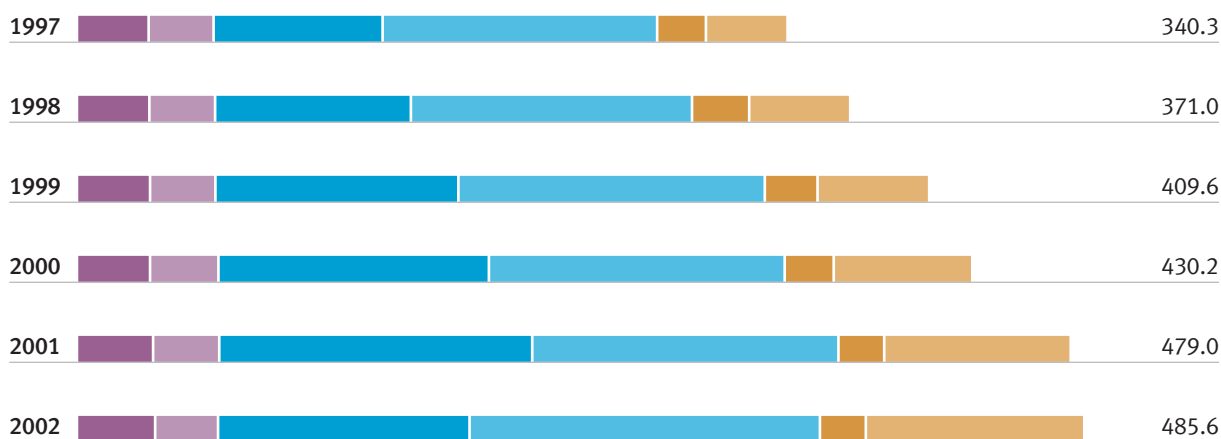


	1998	1999	2000	2001	2002	*2003
Life, group	18'350	19'870	21'300	22'290	23'300	23'300
Life, individual	16'610	11'470	10'170	10'860	11'340	9'980
Life, total	34'960	31'340	31'470	33'150	34'640	33'280
Medical	1'930	2'710	3'880	5'040	5'370	5'640
Accident	2'230	2'300	2'330	2'490	2'520	2'520
Motor	3'920	3'960	4'090	4'210	4'420	4'690
General liability	1'400	1'390	1'470	1'600	1'610	1'760
Fire/storm & tempest	1'150	1'120	1'130	1'120	1'270	1'300
Other property	1'920	1'930	1'960	2'070	2'020	2'060
Other sectors	870	930	990	1'080	1'180	1'340
Non-life, total	13'420	14'340	15'850	17'610	18'390	19'310
Overall total	48'380	45'680	47'320	50'760	53'030	52'590

*SIA estimation

Capital investments

Capital investments by Swiss life and property insurers and reinsurers 1997–2002 according to investment category
Figures in billion CHF (Source: Federal Office for Private Insurance)



	1997	1998	1999	2000	2001	2002
Land, buildings	33.8	34.2	34.5	34.9	36.0	37.0
Mortgages	30.5	30.9	30.7	31.2	31.1	29.5
Stock, holdings	81.5	94.6	117.7	131.2	152.0	121.9
Fixed-interest securities	133.2	136.4	148.8	143.6	148.7	170.3
Loans against borrower's note, debt register claims	22.6	26.7	24.5	22.7	21.1	21.2
Other investments	38.7	48.2	53.4	66.6	90.1	105.7
Total	340.3	371.0	409.6	430.2	479.0	485.6

Investment income

Investment income by investment category 2001/2002

Figures in million CHF (Source: Federal Office for Private Insurance)



	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Land, buildings	2'293	2'369								
Mortgages			1'370	1'228						
Stock, holdings					5'002	5'760				
Fixed-interest securities, Loans against borrower's note, Debt register claims							8'126	8'103		
Other investments									2'049	2'903
Total									18'840	20'363

5

International insurance ratios

5.1

Per capita premiums for private insurance – Europe 2002, in US\$ (Source: Swiss Re)

Switzerland	4922
Great Britain	3879
Netherlands	2472
Finland	2272
France	2064
Germany	1628
Austria	1452
Italy	1435
Spain	1092
Portugal	799
Slovenia	557
Greece	253
Hungary	187
Poland	145
Russia	67
Bulgaria	43
Ukraine	17

5.2

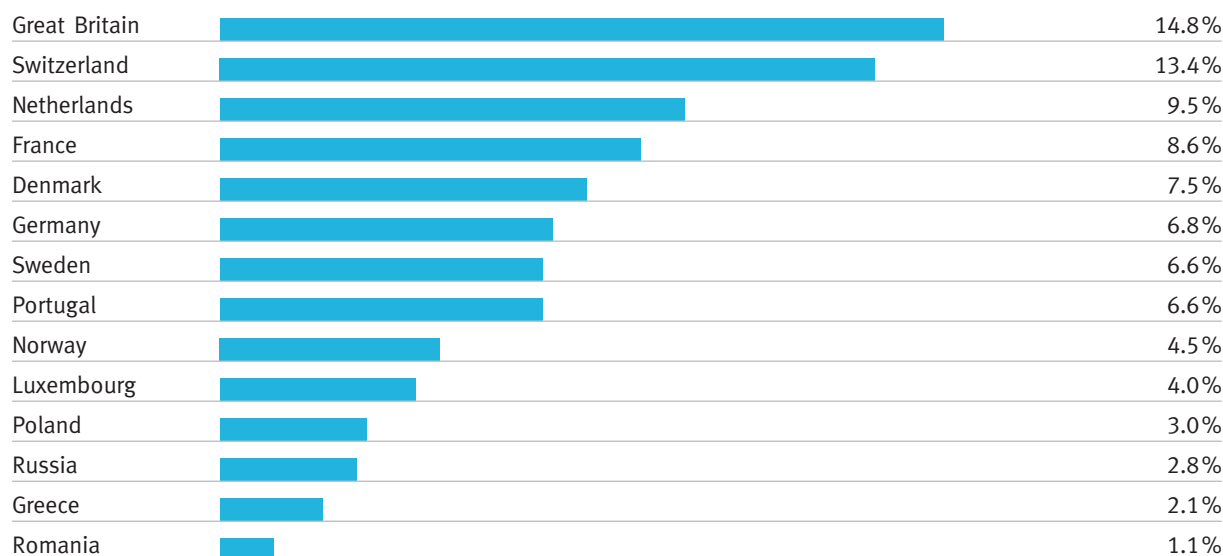
Per capita premiums for private insurance – Overseas 2002, in US\$ (Source: Swiss Re)

Japan	3499
USA	3462
Australia	1706
Canada	1563
Taiwan	1279
Singapore	1031
Israel	981
New Zealand	926
South Africa	425
Malaysia	198
Argentina	63
Tunisia	39
China	29
Nigeria	3

Insurance penetration

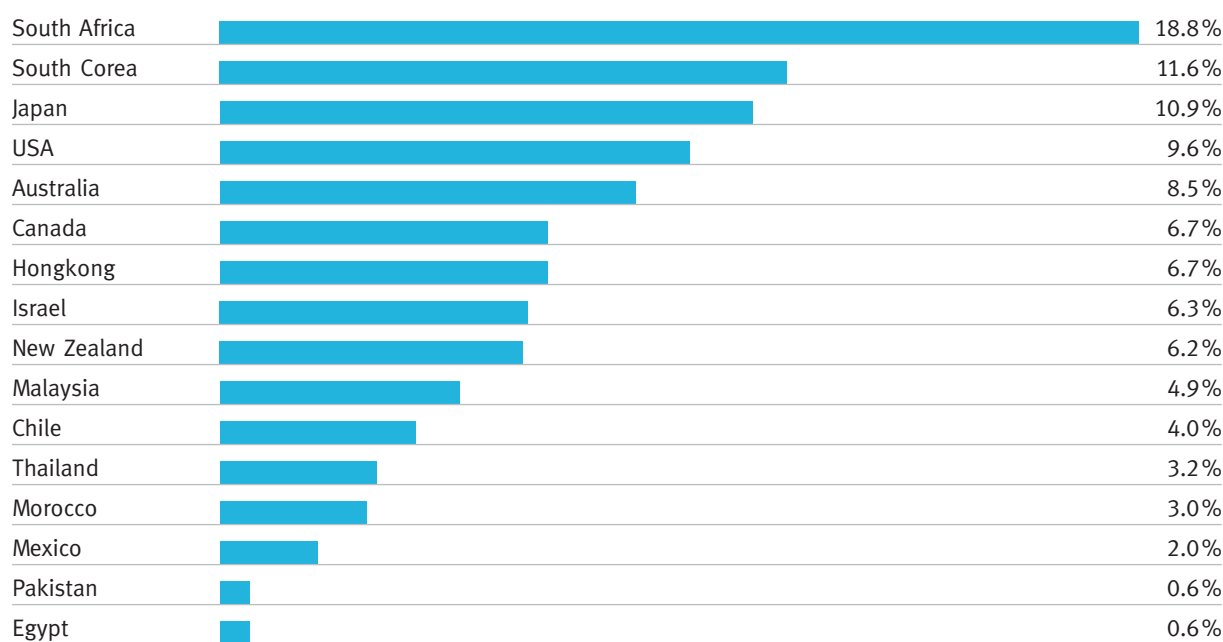
6.1

Ratio of private insurance premiums to gross domestic product – Europe 2002 (Source: Swiss Re)



6.2

Ratio of private insurance premiums to gross domestic product – Overseas 2002 (Source: Swiss Re)

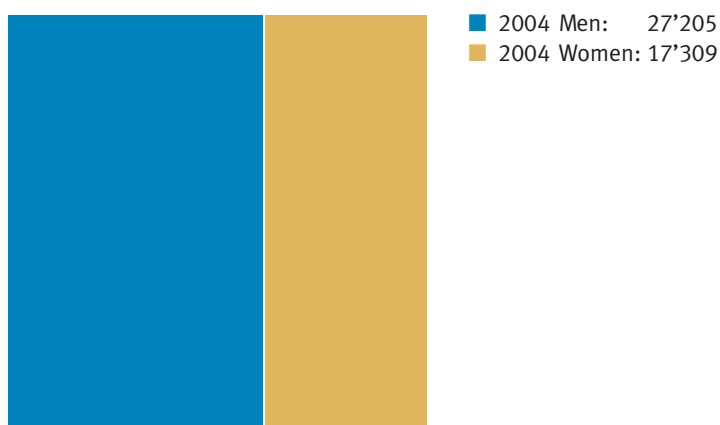


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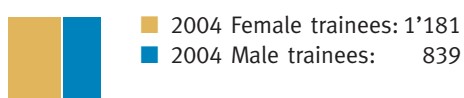
Human resources and training

7.1

Personnel statistics, Switzerland 2000–2004 (Source: SIA survey of 1 January each year)



	2000	%	2001	%	2002	%	2003	%	2004	%
■ Men	30'120	62.9	30'562	61.9	29'690	61.6	28'233	61.1	27'205	61.1
■ Women	17'739	37.1	18'804	38.1	18'481	38.4	17'942	38.9	17'309	38.9
Total	47'859		49'366		48'171		46'175		44'514	
Change %		-2.2		+3.1		-2.4		-4.1		-3.6



	2000	%	2001	%	2002	%	2003	%	2004	%
■ Female trainees	1'228	56.4	1'239	56.3	1'282	55.3	1'226	58.1	1'181	58.5
■ Male trainees	950	44.6	963	43.7	1'038	44.7	885	41.9	839	41.5
Total female/male trainees	2'178		2'202		2'320		2'111		2'020	

7.2

Personnel statistics abroad, 2000–2004

(Source: SIA survey of 1 January each year)

	2000	2001	2002	2003	2004
Total abroad	98'956	100'218	115'645	111'754	90'777
Change (%) over previous year	+2.2	+1.3	+15.4	-3.4	-18.8

7.3

Swiss Federal Specialist Insurance Examinations 1998–2000

(Source: Insurance Industry Vocational Training Association, VBV)

	1998	1999	2000
Diplomas issued	26	18	9
Certificates issued	190	214	235

7.4

Federal Specialist Examinations: Finance Sector/Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF), Module Examinations 2000–2003 (Source: BVF)

	2000	2001	2002	2003
Federal Diplomas – Insurance	–	–	7	*23
Federal Certificates – Insurance	16	47	89	87

* of which 20 comply with the international agreement signed with Germany

Appendix



1

Association bodies*

Executive Board	Chairman	Albert Lauper	(Mobiliar)
	Vice Chairman	Hans-Jürg Bernet	Zürich
	Members	Urs Berger	Mobiliar
		Rolf Dörig	Swiss Life
		Philippe Egger	Winterthur
		Rudolf Kellenberger	Swiss Re
		Alfred Leu	Generali
		Rolf Mehr	Vaudoise
		Thomas Pleines **	Allianz Suisse
		Martin Strobel	Bâloise
		André Vionnet	National
		Erich Walser	Helvetia Patria
		Hans Weber ***	Pax
Life Committee	Chairman	Josef Bättig	Genevoise
	Members	Marco Baur	Generali
		Klaus Dauner	Allianz Suisse
		Donald Desax	Helvetia Patria
		Ruedi Hefti	Winterthur
		Franz-Josef Kaltenbach	Bâloise
		Daniel Loup	Mobiliar
		Antimo Peretta	Swiss Life
		Anton Peter	National
		Jean-Michel Waser	Vaudoise
		Hans Weber ***	Pax
		Peter Zutter	Swiss Re
Medical/Accident Committee	Chairman	Martin Bründler	Winterthur
	Members	Jürg Hauswirth	Zürich
		Bruno Kuhn	Mobiliar
		Hans-Peter Purtschert	National
		Philippe Regazzoni	Swiss Re
		Charles Relecom	La Suisse
		Georg Schanz	Bâloise
		Jean-C. Visinand	Vaudoise
		Clemens Wagner	Allianz Suisse

Appendix

Loss Committee	Chairman	Bruno Schiess	Zürich
	Members	Gerhard Berchtold	Allianz Suisse
		Roman Clavadetscher	Generali
		Jörg Meyer	Bâloise
		Severin Moser	Winterthur
		Hans-Peter Purtschert	National
		Charles Relecom	La Suisse
		Peter Schmid	Swiss Re
		Hermann Sutter	Helvetia Patria
		Christian Wegmüller	Mobiliar
		Yves Zaugg	Vaudoise

Economy & Financial Affairs Committee	Chairman	Bruno Pfister	Swiss Life
	Members	Hans-Peter Boller	Converium
		Roland Geissmann	Helvetia Patria
		Peter Hegetschweiler	Zürich
		Rolf Nebel	Swiss Re
		Paul Norton	Winterthur
		Irene Salvi	Swiss Re
		Martin Wenk	Bâloise

Audit Body	PricewaterhouseCoopers, Zürich
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* Status as of 31 March 2004

** nominated at the 2004 AGM

*** Status until the 2004 AGM

Organigrams SIA

Bodies (as of 15.3.2004)

Chairman				
Albert Lauper				
	Committees			
	Economy and Financial Affairs	Life	Medical/Accident	Loss
	Bruno Pfister Swiss Life	Josef Bättig Genevoise	Martin Bründler Winterthur	Bruno Schiess Zürich
Commissions				
Communications Hansjörg Leibundgut Allianz Suisse	Accounting Peter Hegetschweiler Zürich	Social Affairs Markus Escher La Suisse	Law and Social Policy Peter Schürch Generali	Property Insurance Bruno Spicher Mobiliar
Law Thomas Lörtscher Swiss Re	Financial, Investment and Monetary Issues Martin Wenk Bâloise	Technology Marc Chuard Zürich	Technology Rainer Schellenberg Winterthur	Liability Insurance Andreas P. Schneider Zürich
Human Resources and Training Urs Berger Mobiliar	Taxation, General Irene Salvi Swiss Re	Taxation, Life Hans-Peter Conrad Swiss Life	Prevention Richard Lüthert Winterthur	Motor Insurance Manuel Kunz Allianz Suisse
Field Service and Marketing André Blanchard Mobiliar		Legal Affairs, Life Stephan Fuhrer Bâloise	Compulsory Accident Insurance, FL Kurt Keller Zürich	Technical Insurance Philip Oesch National
Environment/Energy Rudolf Sollberger Bâloise		Medical Relations Josef Kreienbühl Pax		Transport Insurance Erich Schellenberg Allianz Suisse
		Self-Regulation Organisation SRO Josef Bättig Genevoise		Legal Protection Max Plattner Assista TCS
		Money Laundering Commission Eugen Müller Swiss Life		Loss Directors Werner Hagmann Helvetia Patria
				Statistics Walter L. Thöni Zürich
				Insurance Fraud Werner Kaderli Zürich

Head Office (as of 15.3.2004)

CEO

Lucius Dürr

Management Board Chairman

Head of

Communications Unit

	Bruno Zeltner Deputy CEO of the Management Board	Jürg Waldmeier Management Board Member	Roland A. Müller Management Board Member	Max Gretener Management Board Member
Margrit Thüler Management Board Member	Head of Economy & Financial Affairs Unit	Head of Law Unit	Head of Personal Insurance Unit	Head of Indemnity Insurance Unit
External/Internal Communications	General Economic Issues	Insurance Law	Social Security	Property Insurance
Information Service	Employer Policy	Financial Market Oversight	Life Insurance	Storm & Tempest Pool/Earthquake Syndicate
Extranet/Internet	Education and Training	Accounting and Auditing	Public Health	Motor Insurance
Events	Financial, Investment and Monetary Issues	Liability Law	Health/Accident Insurance	Legal Protection Insurance
Publications	Fiscal Policy and Tax Issues	Competition Law	Prevention	Technical Insurance
Norbert Hochreutener Management Board Member	Marketing	Indemnity Law	Medical Services	Transport Insurance
Public Affairs	Environment/Energy	Various Legal Issues – Data Protection – Consumer Protection Law – Intellectual Property Law	Medical Fees/ Healthcare Rates	Insurance Fraud
Political Contacts	International Economic Developments (OECD, WTO/GATS)		Self-Regulation Organisation (SRO)/ Money Laundering	Statistics
Government	Finance and Accounting/ Administration/IT			
Parliament				
Federal Administration				

List of members

Alba Allgemeine Versicherungs-Gesellschaft, Basel

Alea Europe AG, Basel

Allianz Suisse Leben, Zürich

Allianz Suisse Versicherungs-Gesellschaft, Zürich

Alpina Versicherungs-Aktiengesellschaft, Zürich

Appenzeller Versicherungen, Appenzell

Assista tcs SA, Vernier

AXA Compagnie d'assurances, Lausanne

AXA Compagnie d'assurances sur la vie, Lausanne

Basler Lebens-Versicherungs-Gesellschaft, Basel

Basler Versicherungs-Gesellschaft, Basel

CAP Rechtsschutz Versicherungsgesellschaft AG, Zug

Chubb Insurance Company of Europe S.A., Zürich

Converium AG, Zürich

Coop Allgemeine Versicherung AG, Wallisellen

Coop Rechtsschutz, Aarau

CSS Versicherung AG, Luzern

DAS Protection Juridique SA, Lausanne

Emmentalische Mobiliar-Versicherungs-Gesellschaft, Konolfingen

Epona Société mutuelle d'assurance générale des animaux, Lausanne

Europäische Reiseversicherungs AG, Basel

Europäische Rückversicherungs-Gesellschaft in Zürich, Zürich

Fortuna Rechtsschutz-Versicherungs-Gesellschaft, Adliswil

GAN Incendie Accidents Compagnie française d'assurances et de réassurances incendie, accidents et risques divers, Pully

Garanta (Schweiz) Versicherungs AG, Basel

Generali Assurances Générales, Genève

Generali Personenversicherungen, Adliswil

Groupe Mutuel Vie GMV SA, Martigny

HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Zürich

Helsana Unfall AG, Zürich

Helvetia Schweizerische Versicherungsgesellschaft, St. Gallen

Imperio Assurances et capitalisation SA, Lausanne

Innova Versicherungen, Gümüliigen

Inter Partner Assistance, Société Anonyme, Bruxelles, Genève

La Genevoise, Compagnie d'assurances sur la vie, Genève

La Genevoise, Compagnie générale d'Assurances, Genève

La Suisse, Société d'assurances contre les accidents, Lausanne

La Suisse, Société d'assurances sur la vie, Lausanne

Mannheimer Versicherung AG (Schweiz), Zürich

Nouvelle Compagnie de Réassurances, Genève

Orion Rechtsschutz-Versicherungsgesellschaft, Basel

Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel

Pax, Schweizerische Lebensversicherungs-Gesellschaft, Basel

Phenix Compagnie d'Assurances, Lausanne

Phenix Compagnie d'Assurances sur la vie, Lausanne

Protekta, Rechtsschutz-Versicherung AG, Bern

Providentia Société Suisse d'Assurances sur la Vie Humaine, Nyon

Rentes Genevoises, Genève

Retraites Populaires, Lausanne

Revios Rückversicherung Schweiz AG, Zug

Schweizerische Hagel-Versicherungs-Gesellschaft, Zürich

Schweizerische Lebensversicherungs- und Rentenanstalt, Zürich

Schweizerische Mobiliar Versicherungsgesellschaft, Bern

Schweizerische National-Versicherungs-Gesellschaft, Basel

Schweizerische National Leben AG, Bottmingen

Schweizerische Rückversicherungs-Gesellschaft, Zürich

Skandia Leben AG, Zürich

TSM, Compagnie d'Assurances Transports, La Chaux-de-Fonds

Turegum Versicherungsgesellschaft AG, Zürich

UBS Life AG, Zürich

UNIQA Assurances SA, Genève

Vaudoise Générale, Compagnie d'Assurances, Lausanne

Vaudoise Vie, Compagnie d'Assurances, Lausanne

Winterthur-ARAG Rechtsschutzversicherungs-Gesellschaft, Zürich

Winterthur Leben, Winterthur

Winterthur Schweizerische Versicherungs-Gesellschaft, Winterthur

XL Insurance Switzerland, Winterthur

Zenith Vie, Compagnie d'assurances sur la vie, Pully

Zürich Lebensversicherungs-Gesellschaft, Zürich

Zürich Versicherungs-Gesellschaft, Zürich

The corporate names are not always identical to the trading names of the companies or groups because membership in the Swiss Insurance Association is based on legal relations.

(Status as at 31 March 2004)