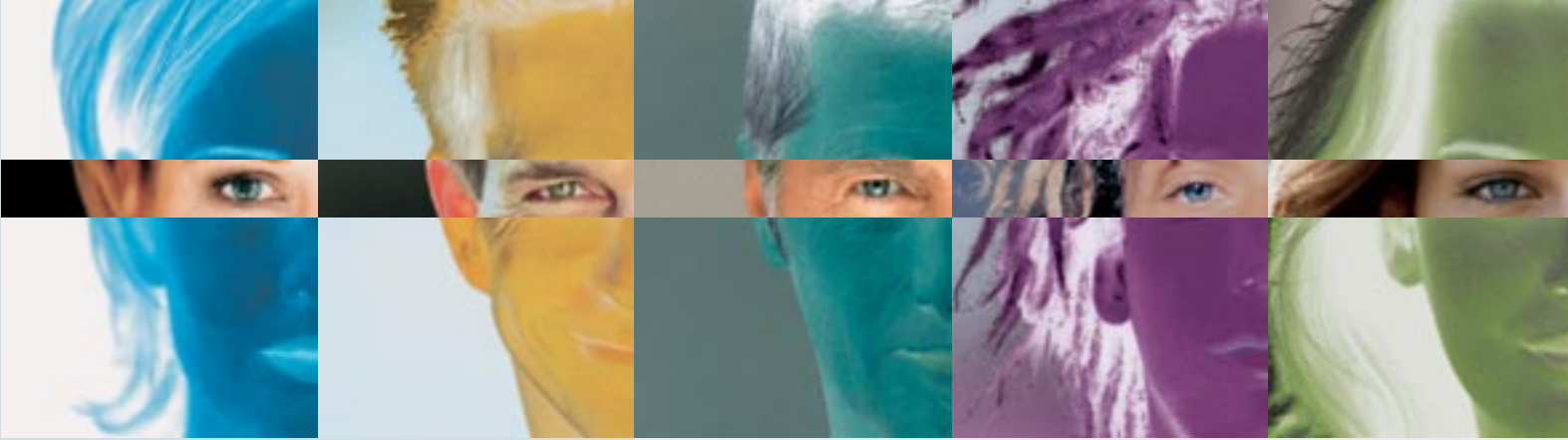


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Hansjörg Frei, SIA Chairman

Substantial worsening of the earnings situation

2001 wasn't exactly an annus horribilis for the Swiss private insurance industry, but it was an annus difficilis at any rate. Most insurance companies reported lower profits for the year, with some reporting a pronounced earnings slump or even substantial losses. Dividend cuts or having to forego a dividend altogether — relatively unheard of during the past few decades — were unavoidable in some cases. In addition, reserves deteriorated considerably in many cases. To be sure, as reported by the Federal Office for Private Insurance in its survey conducted in the autumn of 2001, deficient liability coverage resulted in only a few cases; it should be noted, however, that Swiss insurance companies have generally always had solid reserves. All the same, it is painful to see how the value of equity investments has been deteriorating after having been substantially built up by many companies over the past few years. This is all the more painful as stock exchange losses not only impact balance sheets, but also impact current results as well, thus producing negative corporate earnings. Furthermore, it comes as no surprise that falling securities prices also limit the prospects for profits. To be sure, the situation is somewhat different for each individual insurance company: Stock holdings as a portion of capital investments vary considerably, as does the composition of portfolios or the time at which a company buys into the stock market and, thus, the buying price. And of course, the accounting principles applied are also expressed in differing accounting results, as various principles enable different reporting options. Be that as it may, stock exchange losses were generally the key factor contributing to the unfavorable reporting results of many insurance companies during 2001.

Apart from share value losses, insurance companies also suffered as the result of declining interest rates. This could only be partially offset by higher bond prices. Between 2000 and 2001, the level of long-term interest rates deteriorated substantially in Switzerland, the Eurozone and the US. Since fixed-interest securities still account for the main portion of assets held by Swiss insurance companies, the drop in interest rates is equivalent to reduced investment earnings, which can quickly make a profound difference.

Insurance and the investment business

It remains to be seen whether the marked deterioration in the earnings of the private insurance industry — notably not only that of Switzerland — occurring during the year under review has bottomed out and recovery is on the way, or whether it will prove to be more or less of a one-time slip. For the time being, there doesn't seem to be any sustained improvement in the outlook for the stock markets. It would consequently be somewhat difficult to focus insurance operations on asset management to an extent as has been the case here and there during the past few years. As a matter of fact, the way in which insurance companies see themselves seems to have changed: capital investments are increasingly being viewed as an insurance company's core business, whereas the actual insurance business has been demoted to a means to an end, or capital procurement as Prof. Dieter Farny, the German insurance business management doyen, described the paradigm shift of his time.

Actuarial aspects were to regain significance in the wake of the unfortunate setback in 2001. There are a number of signs which indicate that this statement is not simply wishful thinking. A selective underwriting policy and exercising stricter discipline

in actuarial assumption — described as urgent for many years now — seem to be being accorded higher priority by many an insurance company. Cash-flow underwriting is being increasingly questioned, and the status of a strong combined ratio has risen substantially. Considerable would be gained for the future of the Swiss private insurance industry if the reorientation of business operations with an increased emphasis on tried-and-true actuarial principles were not conveniently forgotten at the first signs of a bull market.

Erosion of the 2nd pillar

The Swiss insurance sector is confronted with other challenges. The parliamentary deliberations on the first revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG), which continued vigorously during the period under review, are of existential importance to the group life insurance business. Various reform proposals which are being debated and some of which were offered by insurers affect the lifeblood of the 2nd pillar. The very existence of Switzerland's three-pillar system is at stake. In the event that the wrong course were to be taken in key areas, Switzerland's highly acclaimed old-age provision principle might suffer irreparable harm. For example, in the view of the insurance industry, substantially reducing the conversion rate is unavoidable. The 7.2% rate in effect since the enactment of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) in 1985 is simply untenable from the point of view of actuarial mathematics on account of the increase in life expectancy since this time. A quick reduction to ca. 6.7% is imperative. The technical interest rate of 4% is also clearly excessive. This is borne out when considering the rates in effect in neighboring countries. However, it is apparently difficult to describe the functioning of the self-

Introduction

financing process and actuarial principles in understandable, clear-cut terms and to demonstrate the impacts of central factors (e.g. the conversion rate or the technical interest rate) in relation to various benefit objectives and contribution systems. The SIA will not cease in its efforts to create more transparency here in the interest of consolidating the foundation of Switzerland's old-age provision system in the long run.

Risks posed by genetic engineering

The Swiss private insurance sector is confronted with another highly explosive legislative project: GenLex. A finished draft bill was available already before the vote on the genetic protection initiative took place in mid 1998. Four years hence, the bill has yet to reach the second chamber. This clearly shows how difficult of a time parliamentarians are having in getting a hold on genetic engineering, weighing the opportunities and risks posed by it, and, in particular, how tricky it is to find a satisfactory solution for liability issues. Considerable is at stake for the insurance industry. As in the case of the revision of the BVG, the SIA perceives it to be its duty to contribute its expertise to the public discussion and aid in finding economically viable solutions acceptable to the population at large for GenLex.

Aftermath of September 11th

Dealing with risks of all types is the insurance industry's core business. Particularly since the mid 19th century this has decisively contributed to industrialization, technological advance, and to an unprecedented increase in prosperity, at least in the northern countries. But does insurance history need to be rewritten in the wake of 11 September 2001? Will there be a fundamental change in the private insurance sector after the bone-chilling

terrorist attacks in New York, Washington, D.C., and Pittsburgh? Or will there soon be a return to business as normal, albeit with higher premium rates? There is no doubt that this will come to pass, even if the definitive figures are long in coming: September 11th has been by far the worst insurance event of all times. Swiss companies, too, have been profoundly shaken by the fallout of this event. To be sure, however, the insurance industry with its fine-weave, globally diversified web of primary insurers and reinsurers has evidently withstood this extraordinary test of endurance in every respect. There is absolutely no reason whatsoever to question the way the private insurance industry functions or its ability to perform in the face of adversity.



Hansjörg Frei, SIA Chairman



Switzerland

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Supervisory and contract law

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Revision of the Insurance Supervisory Act

The revision procedure was initiated on 16 September 1998, when the Swiss Federal Department of Justice and Police submitted a preliminary draft bill for a fully revised Insurance Supervisory Act (VAG) to the consultation procedure. The 1998 and subsequent annual reports contained a detailed review of the draft bill and the SIA's comments issued in the consultation procedure. The draft bill has since been revised following from the results of the consultation procedure. Special supervisory regulations applicable to financial conglomerates were additionally incorporated in the draft bill (cf. see section 1.1.3 below). It is currently uncertain when the long-awaited definitive draft bill — including the Federal Council's report and positional statement — will be released and forwarded to parliament.

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Revision of the Insurance Contract Act

Parallel to the draft for a fully revised supervisory law, a draft for a partial revision of the Insurance Contract Act (VVG) was submitted to the commentary procedure. For more information on the content of this partial revision and the SIA's position, refer to the last three annual reports. The definitive draft — including the Federal Council's report and positional paper — will most likely be forwarded to parliament for deliberation together with the report and positional statement on the proposed Insurance Contract Act.

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Oversight of the financial marketplace/FSAP

In the follow-up to the draft bill for a full revision of the Insurance Supervisory Act, the Swiss Federal Banking Commission (SFBC) and the Federal Office for Private Insurance (BPV) submitted auxiliary provisions supplementing the new Insurance Supervisory Act and the current Banking Act in the late summer of 2001. These provisions are designed to put the currently exercised practice of group and conglomerate oversight in the insurance and banking sector on a formal legal footing, as established by the Federal Office for Private Insurance in concert with the SFBC for Zurich Financial Services, for example.

The Swiss Insurance Association welcomed the proposed provisions in principle. It should be noted that the new EU directive pertaining to the additional oversight of financial conglomerates with regard to the access of providers from non-member countries to the single market is geared to having conglomerates in non-member countries be subjected to oversight in a manner comparable to the European standard.

In its comments, however, the SIA pointed out that the supervisory powers of the Swiss Federal Office for Private Insurance and those of the Swiss Federal Banking Commission have to be clearly delineated and regulated. Conglomerates focussing on insurance operations would therefore be subject to the Swiss Federal Office for Private Insurance in its capacity as lead regulator, whereas conglomerates primarily operating in the banking sector would be subject to the oversight of the Swiss Federal Banking Commission, however with another supervisory body being consulted for technical sector-specific oversight. The SIA also demanded that conglomerate oversight could be dispensed with in individual cases in which the banking component of conglomerates primarily offering insurance constituted only a very

small part of the entire conglomerate. According to the prevailing opinion of the Swiss insurance sector, the primary task of the respective sectoral oversight authority is to settle issues relating to internal group risk exposure, risk assessment, etc.

Specific issues point to the circumstance that various foreign supervisory authorities are increasingly displaying a tendency to usurp the international competence for monitoring Swiss insurance institutions, i.e. with regard to branches located in non-member states and in reference to the role of the Swiss parent company. This undermines the role of the Swiss lead regulator and leads to a shift in the oversight of Swiss companies to outside of Switzerland, where there is generally hardly any guarantee that Swiss companies are treated on a par with local foreign insurance institutions. These undesirable tendencies have consequences not only for data privacy but also with regard to the expanded jurisdictions of foreign courts in the event of purported or actual misconduct on the part of Swiss insurance institutions. The SIA consequently expressed its desire that a clear-cut protection of the international jurisdiction of the Swiss lead regulator be grounded in the Insurance Supervisory Act and the Banking Act so as to strengthen the cause of affected insurance institutions and the Swiss supervisory authorities outside of Switzerland.

In the autumn of 2001, an expert team of the International Currency Fund and the World Bank conducted an in-depth examination of the Swiss finance sector in the course of the Financial Sector Assessment Program (FSAP). The goal of the FSAP was to determine whether the international supervisory standards in Switzerland are being adhered to in practice (cf. remarks in section 3.1 of the International section of the 2000/01 annual report) and whether Switzerland as a financial center poses a risk to the stability of international financial markets. During this assessment, expert teams paid visits to individual insurance companies and the SIA.

The central issues in the discussion with the SIA related to the consequences of the terrorist attack in New York on 11 September 2001, adherence to international standards for preventing money laundering, ensuring excellence in the training of insurance field staff, and securing the financing of occupational pension schemes (2nd pillar). In this context the experts expressed their surprise concerning the guaranteed interest rate of 4% for occupational pension schemes, this being without precedence at the international level and not allowing insurance companies to act in a manner commensurate with practices capital markets.

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Liberalization of personal insurance

In June of 2001, the Federal Office for Private Insurance (BPV) presented its ideas concerning deregulation of life insurance and supplemental health insurance. This is linked in part to far-reaching changes in the Ordinances Pertaining to Direct Life Insurance (Life Insurance Ordinance), Property Insurance, and Oversight of Private Insurance Carriers (Supervisory Ordinance).

The recommendations were examined internally in numerous SIA working parties, and comments provided to the Federal Office for Private Insurance in response to the consultation procedure at the end of September 2001. This matter is currently pending and is to be dealt with in the course of 2002.

The proposed changes to life and health insurance would involve a shift from preventive product monitoring to monitoring after the fact, in other words a reorientation towards an oversight philosophy. In Switzerland there are currently two oversight systems affecting the private insurance sector. The one system ensures the solvency of an insurance institution primarily by way of preventative auditing and the approval of general policy terms and rates (life, medical and natural-loss

insurance). The other system — which affects direct non-life insurance (with the exception of natural-loss insurance) — is oriented to the EU system. This system is geared towards comprehensive oversight of the solvency of an insurance institution, yet exercises merely a nonsystematic, subsequent random supervision of insurance products. This coexistence of two oversight systems is to be dispensed with — not least for the purpose of achieving eurocompatibility — and transformed into a unified supervision philosophy. Subsequent product monitoring is to be established by way of a series of guidelines at the ordinance level which are to be adhered by insurance institutions for maintaining solvency and providing adequate protection of insureds. The SIA supports the intention behind this shift from preventive to subsequent product monitoring in principle, however it issued detailed and in part critical remarks on the proposed changes to individual ordinances in its response during the consultation procedure. The key thing is that the concerns of the private insurance sector have to be taken into consideration.

In this same context, the Federal Office for Private Insurance issued recommendations for deregulating the investment regulations applicable to security funds (life insurers) and restricted assets (non-life insurers). The objective of the proposed revisions is to adapt the investment regulations applicable to private insurers to the regulations applicable to occupational pension funds and pooled pension trusts pursuant to the Ordinance Pertaining to the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVV2). The SIA also issued a position on this, saying that it basically viewed the proposed changes to be positive and that it would be in favor of the corresponding changes to the Life Insurance and Property Insurance Ordinances being enacted into law as soon as possible — assuming its recommendations are taken into account.

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Social security

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11th Revision of the Old-age and Surviving Dependants' Pension Scheme

The 11th revision of the Old-age and Surviving Dependants' Pension Scheme (AHV) is centered around consolidating the Old-age Pension Scheme and introducing a flexible retirement age. This is to be achieved by increased contribution revenues and savings measures. Apart from introducing a flexible retirement age, the central issues of the draft bill are consequently to increase VAT while raising the retirement age for women to 65 and placing a cap on widow benefit entitlements.

Currently the draft bill is stirring up quite a controversy in the National Council's predeliberative Legal Commission. The National Council Commission on Social Security and Public Health (SGK) passed the bill with 9 to 6 votes and 7 abstentions. In so doing, it departed from the draft bill proposed by the Federal Council. Instead of approving CHF 400 million as proposed by the Federal Council it doubled this amount by approving CHF 800 million for cushioning the effects caused by drawing early retirement benefits. As to widow's benefits, the Commission on Social Security and Public Health decided in favor of a formula according to which only widows with minor children under 18 years of age are to receive a pension. However, vested rights are to be preserved. As to VAT, the Commission came out in favor of increasing it by 1.5 percentage points, this amount to be earmarked exclusively for the Old-age and Surviving Dependants' Pension Scheme. However, owing to the 41 minority petitions submitted, it was highly probable that the draft bill would be changed in the National Council.

This actually did come to pass. In contrast to what happened in the Commission on Social Security and Public Health, the National Council adopted a more restrictive policy with regard to cushioning the effects caused by drawing early retirement benefits. In a tie vote decided by the National Council President, the National Council followed the Federal Council's lead and approved only CHF 400 million for this purpose. However, the National Council proved more generous with respect to widows. Here it supported a petition according to which it would dispense with a widow's pension only in cases in which the widow did not have any children. As a consequence, the proposed savings of ca. CHF 780 million were reduced to ca. CHF 120 million, in so doing substantially falling short of the envisaged savings goal. Instead of total savings of CHF 1.26 billion, the version passed by the National Council provides only for CHF 570 million.

It remains to be seen which corrections the Council of States — who will be deliberating this item in the course of 2002 — will make to the draft bill. One thing is for sure, though: the version passed by the National Council is a shaky compromise, as was shown by the ca. 60 abstentions in the final vote.

However, apart from the widow's pension and the extent of cushioning the effects caused by drawing early retirement benefits, the VAT increase and the timeframe for which it is to extend are highly likely to be hotly disputed.

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Old-age and Surviving Dependants' Pension initiatives

The popular initiative entitled "Tax energy, not work" for securing the Old-age and Surviving Dependants' Pension scheme (AHV) submitted by the Green Party and designed to finance this scheme by levying taxes on non-renewable energy sources was rejected on 2 December 2001 by a clear-cut majority of 77% of the Swiss people.

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4th Revision of the Disability Insurance Scheme

On 21 February 2001 the Federal Council passed its report and positional statement on the fourth revision of the Disability Insurance Scheme (IV) with a contribution/benefits package which, according to the projections of the Swiss Federal Tax Administration, is to generate CH 55 million in revenues during the first 15 years, followed by CHF 232 million savings/year. Together with a VAT increase of 1 percentage point starting in 2003, the Federal Council intends to recapitalize the Disability Insurance Scheme with a transfer of CHF 1.5 billion from the Income Compensation (EO) fund.

The National Council dealt with this bill as the first chamber in the winter of 2001. An assistance benefit was resolved to replace the helplessness benefits and nursing contributions. However, this goes far beyond what is to be provided in the Federal Council's view.

A three-quarters pension was introduced in addition to this change. Uniform implementation is to be ensured by way of regional medical services. The National Council followed the petitions of the Swiss government in this resolution and in repealing the supplementary pensions of the wives of Disability Insurance Scheme (IV) benefit recipients. The Council also agreed to the transfer of CHF 1.5 billion from the Income Compensation (EO) fund to the Disability Insurance Scheme. Finally, it approved increasing VAT by 1 percentage point from 2004 to finance the Disability Insurance Scheme.

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

Last year was devoted in major part to the deliberations pertaining to the revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG). The predeliberative National Council Commission on Social Security and Public Health began its deliberations in January 2001, assigning a subcommission headed by Christine Egerszegi (FDP National Councilor of Canton Argovia) to investigate attending issues. The subcommission dealt with the Federal Council's report and positional statement in several hearings and sessions.

In its report dated 9 October 2001 addressed to the commission proper, the subcommission transformed the Federal Council's report and positional statement into an entirely new draft bill. This was passed by a large majority of the commission proper during two sessions on 30/31 January 2002 and 21 February 2002.

The main difference lay in the question of lowering the conversion rate and compensation of the resulting reduction in pension benefits. The Federal Council had provided for reducing the conversion rate in stages over a transitional period of 11 years from the current rate of 7.2% to 6.65%. The reduction in pension benefits was to be offset by restructuring retirement credits.

The subcommission's model

By contrast, the model passed by the subcommission provided for lowering the conversion rate coupled with the increased inclusion of low earned incomes in the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG). Specifically, the conversion rate is to be lowered to 6.8% over a 15-year period. Compensation is to be achieved by reducing the

coordination deduction. At its latest rate, it amounts to 2/5 of the wage provided for under the Federal Old-Age and Surviving Dependents' Insurance Scheme (AHV), thus providing for equal or better pension benefits for all insureds with an earned income of up to CHF 74,000. The reasoning behind the conversion rate envisioned by the subcommission is based on the statistics published by the Federal Insurance Fund for 2000, which report less of a drop in the mortality rate as compared to its figures published for 1990.

Other items contained in the Commission's draft bill extend to improving transparency, equal representation, provisions pertaining to surrendered policies, and the repeal of the limitation imposed on insurable earnings.

Position of the Swiss Insurance Association

In its contacts with parliamentarians and the media, the SIA underscored the urgency of lowering the conversion rate to the right actuarial rate of 6.65%. The increasing life expectancy and the fact that the rate of 7.2% has not been adjusted since the enactment into law of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) in 1985 pose a substantial burden to life insurers. This is all the more the case since the second factor, the minimum interest rate of 4%, is no longer in keeping with reality. In line with other interested groups like the Swiss Association of Pension Funds (ASIP), the Swiss Banking Association, pension fund managers, etc., in petitions submitted to the parliamentarians the SIA demanded that the conversion rate be reduced in six steps to 6.65%. In compensation for this the SIA supports increasing retirement credit amounts in accordance with the scale for women in effect to date and using the special measure funds for cushioning the transition generation. The SIA considers this step to be crucial because the bill proposed by the Federal Council provides for insufficient compen-

sation only. As a consequence, equalization would be achieved over a period of 40 years, however those about to retire would be faced with reduced retirement benefits.

Difficult market conditions

The situation of the occupational pension schemes took a substantial turn for the worse in 2001. Many 2nd pillar institutions had difficulty maintaining the legally prescribed cover rate of 100%.

Life insurance companies also suffered under the difficult market conditions. A number of individual companies withdrew partially or completely from the 2nd pillar market. Other companies directly attributed their poor business performance to the occupational fund market, and the provisions pertaining to the minimum interest rate in particular.

By contrast, other life insurers emphasized that they intend to remain in the occupational scheme segment, despite the difficult situation, and that, however, they were contemplating measures for dealing with the worsened general situation.

Wrong rates

The developments last year were due to the bad stock market situation and the fact that both rates determining the benefits of the second pillar are no longer in keeping with the real-world situation. This applies in particular to the conversion rate, which has remained unchanged at 7.2% since 1985. In the mean time, however, the life expectancy of a 65-year-old male has risen by approximately 3 years, which is why the conversion rate is too high at its current rate and has to be reduced. The minimum interest rate of 4% is also too high. Interest rates have been low for some years now, which is why the minimum interest rate can hardly be maintained. In contrast to the autonomous funds, life insurers

in the occupational scheme business are not subject to oversight by the Federal Social Insurance Office, but rather to the stricter oversight of the Federal Office for Private Insurance. In addition, they are particularly hard hit by these wrong rates on account of there being no recapitalization clause and their being forced to report a cover rate of 100% at the end of each year.

Conflicting goals

In its report and positional statement dated 1 March 2000, the Federal Council emphasized consolidating what had been achieved along with lowering the conversion rate, in addition to underscoring the importance of extending occupational pension coverage by including lower incomes and part-time workers. By contrast, the National Council Committee on Social Security and Public Health is going in a different direction. Its model proposes strengthening occupational pension coverage in the obligatory area, whereas compensation is to be dispensed with in the voluntary area. In addition, the group of insureds is to be expanded substantially. Both measures would result in an additional financial burden of ca. CHF 885 million (as estimated by the subcommission) to in excess of CHF 1.5 billion (Wechsler expertise). For insurance institutions this poses the danger of the reform being delayed, which in turn would pose an even greater burden to life insurance companies. The draft bill was deliberated in the special session of April 2002 in the plenum of the National Council. The following was resolved during the session: to reduce the conversion rate to 6.8% in the course of 10 years, to lower the threshold for contracting into occupational pension schemes under the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) to CHF 18'540, and to limit the maximum insurable earned income to CHF 741'600. In addition, the coordination deduction was redefined.

Health Insurance Act

There is need for reform in medical insurance, as was clearly shown in the 2001 round of premium negotiations. At 9.7 per cent, the 2002 premium increase was extremely high. This was justified by the increased costs of medication and out-patient treatment, lower investment earnings, and cost trends being underestimated during the past few years. A summary report published by the Federal Social Insurance Office (BSV) on the effect of the Health Insurance Act (KVG) in December of 2001 showed that the cost containment being striven for had not been achieved, this being in contrast to the objectives of solidarity and providing the entire population with economically viable, top quality, comprehensive healthcare services covered by mandatory health insurance. Consequently, it is not surprising that medical insurance is the subject of intense political scrutiny. The agenda of the Swiss Parliament shows approximately 40 pending parliamentary motions associated with this.

In its 2001 autumn and winter session, the Council of States dealt with the 2nd revision of the Health Insurance Act, essentially coming out in favor of restructuring hospital financing, repealing the "contract obligation" imposed on physicians in out-patient treatment, and expanding premium reductions. According to the dual-fixed financing system, the cantons and insurers are to each assume half of the costs of basic benefits for in-patient care. In a transition provision, the objective of introducing a system whereby healthcare providers are to only have to deal with one funding entity is maintained. With its ruling of 30 November 2001, the Federal Insurance Court preempted the legislator. The Court ruled that cantons are also to assume a portion of the hospital costs of patients covered by supplemental insurance.

Compulsory accident insurance under the Accident Insurance Act

In social accident insurance Accident Insurance Act (UVG), legislative work continues to be limited to minor revisions and adaptations. The little need for reform correlates closely with favorable cost trends. The private insurers have costs under control. However, since the operating statement for non-occupational accident insurance has regularly had a positive showing during the past few years, private insurers have even been able to implement a rate revision. The associated premiums were adjusted in keeping with risk developments. On the whole, the premium level was reduced by four per cent, which is why most companies have been paying slightly reduced premiums for non-occupational accident insurance since 1 January 2002.

The only revision worth mentioning is an amendment of article 105 section 5 to the Ordinance Pertaining to Accident Insurance (UVV) enacted into law by the Federal Council on 1 August 2001. The goal was to gather more precise, complete data on wage trends. The new provision has not yet had any impact as insufficient attention was accorded to the implementation problems involved.

A working party assigned by the Federal Social Insurance Office (BSV) is to generally reconsider the legal situation in complementary pensions and draft solution proposals. The new complimentary pension provisions in the Ordinance Pertaining to Accident Insurance (UVV) have been in force since 1977. They govern the relationship between pensions under the Accident Insurance Act (UVG) and those under the Old-age and Surviving Dependents' Pension (AHV) and the Disability Insurance Scheme (IV). The situation in practice and rulings handed down by the courts have since shown that the ordinance is not satisfactory in every respect.

The question remained answered as to whether the purview of the Swiss National Accident Fund (SUVA) is to be extended in the future. The working party formed by the Federal Social Insurance Office (BSV) would have had to submit its conclusions to the Federal Council by the end of 2001. However, it was unable to adhere to this deadline.

The problem concerning the accident insurance of unemployed persons also couldn't be definitively resolved. In work on the revision of the Unemployment Insurance Act, a proposal was adopted according to which a portion of the accident insurance premium is to be assumed by the Unemployment Insurance Compensation Fund. However, this proposal is to be reexamined.

127

Maternity insurance

The Swiss people last rejected a national maternity insurance in the June 1999 referendum. This prompted a maternity insurance to be established in Canton Geneva. However, this cantonal solution resulted in coordination problems with regard to birth daily benefit insurance pursuant to the Insurance Contract Act (VVG) and compulsory accident insurance. To be sure, article 7 of the Ordinance Pertaining to Accident Insurance (UVV) had to be revised so that mothers in Canton Geneva would continue to be guaranteed accident insurance coverage.

Shortly after the referendum was lost the supporters of a national maternity insurance had already made another attempt to have this insurance established. The Federal Council's proposals met with rejection in the consultation procedure. The model presented by Pierre Triponez (Swiss Union of Crafts and Small and Medium Sized Enterprises) was approved. It provides for maternity leave of 14 weeks, financed by way of the Income Compensation fund (EO). The introduction of a national insurance would cause the cantonal solutions to be lifted.

128

Federal Law Pertaining to General Social Security Law

The Federal Law Pertaining to General Social Security Law (ATSG) of 6 October 2000 is designed to lead to a unification in the procedures employed by the various social insurance lines. This general law coordinates the rules and regulations without affecting the structure of the individual insurance sectors. The General Social Security Law is scheduled to enter into force on 1 January 2003. The preparations to this end are well underway — with the SIA contributing its part. Changes are required to the respective individual laws so as to bring them in line with the General Social Security Law, these changes being detailed in the addendum to the law. Since numerous provisions in individual social legislation bodies have been revised since 6 October 2001, parliament has to amend the General Social Security Law before it is enacted into law in 2002. The ordinances of the individual laws have to be adapted as well. Plans have also been made to enact a separate ordinance on the General Social Security Law which will only contain a few provisions.

21

Tax

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2001 tax package

2111

Family taxation

In the autumn of 2001, the National Council dealt with the draft bill pertaining to modifying family taxation with the main objective of providing tax relief to families and speaking out in favor of the Federal Council's petition for partial splitting. In addition, it replaced the previous deductibility of personal insurance premiums by one exclusively for health insurance premiums. If this decision remains unchanged, the deductibility of life insurance premiums for voluntary provident schemes will be a thing of the past.

The SIA welcomes the measures for providing families tax relief as it is long overdue, however it regrets the complete lifting of the deductibility of life insurance premiums. In so doing, the last tax incentive for private provident schemes has disappeared.

2112

Transaction tax (transfer stamp duty) on the securities trading of pension funds and life insurers

Contrary to the petition put forward by the pre-deliberative commission, the National Council upheld — for budgetary reasons — the 15 December 2000 resolution subjecting the securities trading proceeds of domestic provident institutions, pension funds and life insurers (the latter generally having previously qualified as securities traders) to transaction tax (transfer stamp duty), this being in connection with urgent measures relating to this tax. Through their trade associations the Swiss Association of Pension Funds

(ASIP) and the SIA, the pension funds and life insurers again petitioned the respective competent Council of States commission that they be exempt from transaction tax like foreign life insurers and provident schemes. In view of the bottlenecks caused in the federal budget by the financial subsidy measures to address the Swissair crisis, it is feared that this unfavorable resolution for the aforementioned provident institutions will be upheld by the Council of States.

The SIA is worried about this development. The unequal treatment of Swiss and foreign institutional investors is questionable and means unjustified discrimination. Every effort needs to be taken to do away with this anachronistic transfer stamp duty as soon as possible in view of its substance-eroding effect.

2113

Paradigm change in the taxation of owner-occupied residential property

With a tie-breaking vote the National Council finally passed a new regime in the taxation of owner-occupied residential property — again against the petition submitted by its Economy and Tax Commission (WAK). Taxing intrinsic rental value is to be dispensed with in the future, and to be offset by doing away with the deductibility of loan interest. A limited deductibility of maintenance costs is provided for. In order to promote the purchase of owner-occupied residential property, a building savings deduction limited in time is to be introduced in keeping with the model employed in Canton Basle-Country.

The SIA is opposed to this paradigm shift. It perceives major disadvantages for Switzerland as a financial center in general, and for the life insurance sector in particular. In the event of such a paradigm shift it is feared that dispensing with the deductibility of mortgage interest will

prompt provident funds to be drained out of occupational and linked pensions and from private life insurance policies for the purpose of repaying mortgages. Furthermore, taking out life insurance to secure the financing of owner-occupied residential property would virtually come to a standstill. As to building savings plans, the SIA is calling for mixed life insurance to also be permitted as a form of savings.

In its session on 21 February 2002, the Council of States' Economy and Tax Commission (WAK) resolved to postpone the deliberation of the tax package scheduled for the 2002 spring session. It commissioned the Swiss Federal Tax Administration to perform supplementary clarifications and computations. In view of this, the Council of States' Economy and Tax Commission is calling on the Federal Council to issue a report and positional statement with the objective of extending the 2000 deadline for the urgent measures pertaining to transaction tax.

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Value-added tax

The Federal Tax Administration's industry brochure entitled *Insurance and Insurers* — modified in the course of enacting the Value-Added Tax Act — contains a number of major new developments for insurers. For example, co-insurance commissions (compensation paid by co-insurers to the lead company) are taxable. On closer examination, this change in practice is demonstrably inappropriate. Co-insurance policies are not contract or policy options initiated by insurance companies, but rather they are requested by customers. Consequently, the added expense incurred by the lead company by virtue of having to administer co-insurance policies qualifies as an integral part of insurance business volume and as such has to be tax-exempt. The SIA is looking into alternatives so that the Swiss Federal Tax Administration can refrain from this change in practice.

Changes would also consequently result with regard to the value-added tax treatment of loss sales and those of the SIA's joint statistics. The Association is looking for efficient and cost-effective solutions here, too.

The EU Commission is considering subjecting bank and insurance services to value-added tax. However, the model developed by an expert commissioned by it (Potter Report) met with rejection. The Comité Européen des Assurances (CEA) is proactively involved at the international level. A working party of the steering committee of the CEA's Single Market Commission — in which Switzerland is represented with a view to the adaptation of national value-added tax legislation to be expected in such an event — is examining the framework in which introducing value-added tax would be possible without distorting competition. As already signaled by the CEA in Brussels, it is imperative that all insurance taxes and similar levies be done away with before any VAT can be introduced.

213

Rejection of capital gains tax for individuals/ to be replaced by capital gains tax on holdings?

The referendum pertaining to a personal capital gains tax was rejected by a clear-cut majority on 2 December 2001. In the course of the Swiss Federal Department of Finance's preparatory work on a report and positional statement on "Corporate Taxation Reform II", whose primary objective is to ease the double tax burden posed to corporate gains, consideration is being given to introducing a tax on the gains from sale of so-called qualifying holdings in order to compensate for the tax shortfalls resulting from the reform. This tax is roundly rejected by the Swiss business community in general, and SMEs in particular. Not only would it do away with the tax relief already introduced, it would also negatively impact the efforts to promote the venture capital financing of SMEs and startups.

Money laundering/Self-Regulation Organization

The revised regulations entered into force on 1 January 2001. They are directly applicable to the company members of the SIA's Self-Regulation Organization (SRO-SIA). The due diligence obligations are fully detailed in the regulations. The members are not subject to any additional obligations with regard to combating money laundering.

The regulations serve a central function. Being a framework law, the Money Laundering Act (GwG) imposes core due diligence obligations. It establishes minimum standards to be complied with by financial intermediaries. The law leaves the detailed form and extent of the due diligence obligations to self-regulation. In so doing, the specific needs of the self-regulating organizations are taken into account.

One primary concern of the SRO-SIA was that the statutory due diligence obligations be set forth in the regulations in as precise a manner as possible so as to offer the member companies and their employees practicable rules of conduct. This is also important because court rulings on the penal code provisions pertaining to combating money laundering and the Money Laundering Act are lacking for the most part. Clear-cut, easy-to-implement regulations serve those working in operative areas and in the field in complying with their statutory due diligence obligations. They are also designed to protect against potential criminal prosecution as violating the obligation to identify the contracting party or determine the economic beneficiary also regularly constitute a violation of criminal due diligence obligations.

In presenting its 3rd report on activities for 2000, the Money Laundering Reporting Office stated that combating money laundering in Switzerland was still too ineffective. The banks were said to pose few problems. In the other finance sectors, however, e.g. in the insurance industry, much needed to be done to heighten awareness of the problem.

Extended experience of life insurers

The following should be borne in mind: Prior to the enactment into law of the penal code provisions pertaining to combating money laundering in 1990, the Swiss Association of Life Insurance Companies passed binding guidelines for its members concerning the acceptance of premiums. These guidelines closely followed the Due Diligence Agreement of the banks with regard to accepting funds (VSB 87).

This was followed in 1990 by the generally binding resolution of the Swiss Association of Life Insurance Companies pertaining to exercising due diligence in accepting funds. It applied to the collection of premiums in excess of CHF 100'000 for taking out cash-value-accruing individual life insurance policies, individual annuity policies with a money-back guarantee in the event of death, as well as to deposits made to premium safekeeping accounts or premium accounts. Exceptions to this were group insurance policies and occupational pension schemes.

Checking the identity of the applicant, the individual to be insured, and the premium payer or premium depositor (individual making deposits to the premium account) by checking their passport or personal identity card along with determining the economic beneficiary belonged to the companies' central due diligence obligations. If there was any doubt as to whether the applicant or the depositor were identical to the economic beneficiary, this individual had to certify in writing that he was the economic beneficiary.

If there were still serious doubts despite the attempts at clarification of the origin of the funds and if they could not be dispelled by way of further clarification, the company was forced to reject the business. This resolution was implemented by the Swiss Association of Life Insurance Companies internally for its members and made even stricter in part (e.g. the prohibition of accepting cash payments from clients).

In this context it can be asked to what extent the life insurance industry is susceptible to money laundering. Prior to the Money Laundering Act being enacted, it was asserted that life insurers differed considerably from banks with regard to their susceptibility to money laundering. Life insurance policies were said to be hardly suitable for money laundering purposes particularly in view of the long-term nature of policies and the costs incurred when canceling policies. This statement still holds for traditional life insurance products since the enactment of the Money Laundering Act. Taking out a life insurance policy costs more than opening an account with a bank and the cash value is less rapidly available than funds invested in bank products. Suspicious transactions are easier to detect in the insurance sector than the bank industry. However, this statement has to be qualified.

New products and sales channels

The prohibition contained in the Insurance Supervisory Act pertaining to the transacting of non-insurance business by insurance institutions is by and of itself no guarantee that its products are incapable of being used for money laundering purposes. Life insurance products are increasingly coming to resemble bank products, with protection against old-age, death and disability receding into the background. Funds and unit-linked life insurance plans are gaining market share, consequently their potential for being misused for money laundering purposes is growing.

The individuals party to an insurance contract are not always recognizable when a policy is taken out. Additional clarifications are needed in establishing the identity of the policyholder particularly when it is a company domiciled outside of Switzerland or a trust. Suspicions might arise during a plausibility check when taking out a policy seems unusual on account of the customer profile or when the purpose of taking out the policy is not discernable or is economically unreasonable.

E-commerce is gaining ground in the insurance industry, thus making suspicious transactions increasingly difficult to detect. Establishing personal contact with the individual taking out the policy and the risk assessment are dispensed with. This necessitates special (electronic) plausibility checks and security mechanisms in order to prevent policies from being taken out for implausible purposes.

Occupational pension schemes and group insurance policies are hardly suitable for money laundering due to their nature. Only natural persons can have pension entitlements. A restrictive prohibition against cash disbursement applies when transferring vested benefits. Contracting into regulated benefits is limited by law. In addition, tax-exempt occupational pension schemes are subject to strict preventive, repressive oversight. Pure risk policies are also not suitable for manipulative money laundering purposes.

Effective instruments

Combating money laundering is an on-going task of all finance intermediaries, for only in this way can Switzerland's reputation as a leading international financial center be safeguarded. With the SRO-SIA, the life insurance industry has an effective tool for combating money laundering. In so doing, it makes an active contribution towards safeguarding its good reputation and the credibility of Switzerland as a finance center. Companies and their employees at all levels are determined to follow regulations and implement them in their day-to-day work.

The efforts to date to combat money laundering are being stepped up. This includes information events on topics related to money laundering and instruction and training offerings. They serve to heighten the awareness of employees and promote their sense of personal responsibility in combating money laundering.

The newly published commentary on the regulations is designed to serve the same purpose. The executive board of the SRO-SIA thus caters to the desire for a practical, easy-to-understand aid for implementing regulatory due diligence requirements. It is the joint effort of a working group in which representatives of various companies have contributed their time and expertise.

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Federal Law on Unclaimed Assets

The preliminary draft bill on a federal law on unclaimed assets submitted by the Federal Council to a consultation procedure in 2000 met with considerable controversy. The Swiss Insurance Association indicated that it basically supported the objective of the bill, however it was of the opinion that the draft was too strongly focused on the interests of banks.

Due to the in part diametrically opposed responses received in the consultation procedure, the draft will be completely revised again by the Federal Department of Justice and Police.

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Contract and corporation law

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Tenancy and rental law

According to a report entitled “Properties and Buildings” issued by the Federal Office for Private Insurance in 2000, Swiss life and property insurers and reinsurers had property assets totaling

CHF 35 billion, for which well over 2.2 billion in revenue was reported. These figures show that the terms of tenancy law in general, and the provisions pertaining to the upward adjustment of rental rates in particular, are of instrumental importance for the Swiss insurance industry.

The Swiss Tenants’ Association submitted the “Yes to fair rents” popular initiative in 1997. The Federal Council adopted a report/positional statement on the partial revision of tenancy law on 15 September 1999, the report being designed as an indirect counterproposal to the popular initiative (cf. 1999/2000 annual report). The National Council and the Council of States have since deliberated the initiative and the counterproposal. The settling of differences between the two — which was initiated at the beginning of 2002 — is proving difficult. The solutions proposed by the Federal Council, the National Council and the Council of States differ substantially in certain key points. The continued deliberations on tenancy law — originally scheduled for the 2002 March session — have been postponed to the summer session as a large number of minority petitions in the National Council’s Legal Commission have complicated things. By contrast, the popular initiative “Yes to fair rents” was subjected to a final vote in the spring session, with a clear majority rejecting the initiative. For the time being it is unclear whether the popular initiative will be put to a vote with or without the counterproposal.

232

Merger Act

From December 1997 to May 1998, the Swiss Federal Department of Justice and Police conducted a consultation procedure for the preliminary draft bill of a merger law. The 1998 annual report contained a review of the draft bill and the SIA’s comments issued in the consultation procedure.

The Federal Council forwarded the final draft including its positional statement to the Swiss Parliament in June of 2000. In it the Federal Council stated that special provisions had to be incorporated for pension institutions. In so doing, it unfortunately did not follow the SIA's motion to have the restructuring of social insurance/employee benefit schemes covered by separate laws.

The draft bill was addressed by the Council of States in the 2001 spring session. The draft proposed by the Federal Council was changed only very slightly. Currently the National Council's predeliberative Legal Commission is examining the draft bill.

233

Antitrust Act

In September of 2000 the Federal Department of Finance submitted a preliminary draft bill on a partial revision of the Antitrust Act to the consultation procedure. The 2000/01 annual report contained a detailed review of the draft bill and the SIA's comments issued in the consultation procedure.

The Federal Council passed the final draft including its report and positional statement in November of 2001. In punishing insurance companies who violate the law, it continues to support determining the amount of fines on the basis of annual gross premium revenues, in so doing ignoring the SIA's criticism. The draft bill is to be addressed by the Federal Council in the autumn of 2002 as the first chamber.

234

E-commerce

The Federal Council made an important contribution to promoting electronic commerce with its draft bill on a federal electronic signature law. The consultation procedure for the draft bill was instituted in January of 2001 in parallel to an associated second project, the Federal Law on Electronic Commerce.

The content of the proposed Electronic Signature Act is based on the Ordinance on Certification Services previously enacted, and additionally provides for the key equality of electronic signatures with handwritten ones. The SIA's response to this is positive, as was the response of the rest of Swiss industry. However, it pointed out that other changes needed to be made to the Insurance Contract Act so that taking out insurance policies completely electronically would be possible. Incidentally, the focus of discussion was the liability issue in connection with the abuse of electronic signatures. In July of 2001 the Federal Council passed a revised version entitled Federal Law on Certification Services with Regard to Electronic Signatures without making any essential substantive changes. A parliamentary debate has not yet taken place.

The second project, the Federal Law Pertaining to Electronic Commerce (BGEG), deals with consumer protection issues in connection with contracts concluded as the result of distance/telephone sales. The following is being discussed: adaptations and amendments of existing provisions in Swiss Contract Law (OR) (in particular with regard to transactions enacted in door-to-door sales, Swiss Contract Law (OR) 40 a-f and in sales law) and in the Unfair Competition Act (UWG). The SIA position contained the following criticism: the draft bill is coupled with substantive changes in sales law, thus causing consumer protection interests to take front

and center stage and focusing less on the peculiarities of electronic commerce. The Federal Council has yet to deliver its report and positional statement on this bill.

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Liability law

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Full revision of liability law

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. The problem areas of this draft bill were outlined in last year's annual report. In keeping with the importance of this topic for the insurance industry, a working group comprised of the representatives of various commissions dealt in depth with the legal aspects of the bill and the potential impact on liability insurance products.

In contrast to a large portion of Swiss industry, the SIA's response was positive. Being interested in clear-cut, predictable conditions, however, the SIA recommended numerous restrictions and amendments and more precise wording in several places. An in-depth clarification was called for in view of the economic impact of the bill and on environmental damage, whose private law treatment poses a number of unclarified issues.

After the decades-long discussion of the unification of liability standards, adaptations are long overdue with regard to reforming judicial law. However, the controversial positions taken appear to be having a paralyzing effect on the bill. This project has been tabled by the Federal Office of Justice for the time being. A decision pertaining to how to proceed further is expected in the course of 2002.

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Reservoir Liability Pool

After the draft bill on the Federal Dam Act – which provided for a Swiss-wide insurance obligation – was rejected by a majority in the consultation procedure, the Federal Department of the Environment, Transport, Energy and Communications (UVEK) is now considering unifying and centralizing the monitoring of major risks. Unfortunately, the water-conveying parts of dam facilities were again not taken into consideration. Consequently, the Swiss Reservoir Liability Pool lodged a complaint with the Swiss Federal Office for Water and Geology.

Investigations into the cause of the rupture in the pressurized line in the Cleuson-Dixence plant in the late autumn of 2000 took considerable time. No results were available during the year under review.

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Nuclear Pool

Whereas nuclear insurance has been characterized by an extremely soft market coupled with declining premium revenues during the past few years, the disaster potential of nuclear facilities and their vulnerability burst into the awareness of operators, insurers and the public alike during 2001. In some countries, serious thought was given to providing military protection to nuclear power plants in the wake of September 11th.

Existing policies did not provide for any terrorism exclusions. This inclusion in basic coverage cannot be maintained. The Swiss Nuclear Pool has joined forces with the SIA, foreign pools and operators in an effort to develop an expedient solution which accounts for the risks and requirements involved.

244

Medical transplant law

In September of 2001, the Federal Council passed the draft Federal Law on the Transplantation of Organ, Tissue and Cell Matter along with its report and positional paper. The following is established in it with regard to human organs: the principle of non-remuneration, prohibition of organ trading, and guidelines for harvesting organs (consent, death criteria). Organs of animal origin (xenotransplants) may not be transplanted into humans except by way of a special permit issued by the Swiss Federal Office for Public Health.

In its comments during the consultation procedure the SIA criticized the proposed liability provisions pertaining to xenotransplants in particular. This concern was heeded. The version submitted by the Federal Council to parliament no longer contains any particular liability provisions. The Product Liability Act also merits mentioning in this context as some provisions of it are being made more stringent. An example of this is that liability is to be assumed in the event of development errors and primary agricultural products. Parliament has not yet dealt with the draft bill.

25

Biotechnology

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Genetic engineering in legislation

The SIA issued its views on genetic engineering and the regulatory framework which Switzerland intends to create by enacting the Gen-Lex Bill in the last two issues of the annual report. Whereas the Federal Council originally intended to integrate genetic engineering in existing legislation — i.e. the Environmental Protection Act (USG) — the Council of States' predeliberative Committee for Science and Culture decided to enact a genetic engineering law of its own. This was first deliberated in the plenum of the Council of States in June of 2001.

Controversy emerged concerning the liability provision already prior to the vote in the Council of States, as the operational and facility liability borrowed from the Environmental Protection Act led to unsatisfactory results in product liability. As a consequence, no consensus was reached, so that the Council decided to refer the liability issue back to the predeliberative commission for reexamination. A revised version was finally passed by the Council of States in September of 2001. The revised version takes the situation of healthcare professionals into account who administer medication containing genetically modified organisms (GMOs). In the original version they would have also been liable for known and declared side effects.

Neither of the variants discussed in the Council of States is convincing from the point of legal reasoning. Although the liability concept was corrected in accordance with the various petitions submitted, the entire construct has never been called into question. By linking liability to the owner of a plant or a facility and the concomitant passage of liability along the sales and distribution chain from one entity to the next (producer – freight forwarder – wholesaler – retailer), unsatisfactory liability consequences are preprogrammed.

This situation prompted the SIA to develop a concept of its own after the liability issue was referred back in June of last year. This dovetails seamlessly with the permit procedure provided for in the Environmental Protection Act and in the Ordinance Concerning Handling Organisms in the Environment (FSV) and the Ordinance Pertaining to Handling Organisms in Closed Systems (ESV), and takes account of all areas of activity by virtue of the very nature of the underlying system. The permit holder — who having to follow through on a meticulous permit procedure and thus conduct a separate risk analysis at every step of the way — is to be held liable

for the damage and loss caused by GMOs, unless this is due to an application error. Absolute liability is defined for R&D and production, and tightened strict liability for products put on the market. This results in a clear-cut division which is needed to create appropriate liability situations which treat all entities involved in the distribution and sales chain equally after a product is put on the market. As a consequence, selective corrections as provided for by the Council of States in its solution for the agriculture and pharmaceutical industries are superfluous.

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Genetic testing

The positional statement to be drafted in 2001 by the Swiss Federal Department of Justice and Police pertaining to the Federal Law Pertaining to Genetic Testing of Humans has been delayed. The draft bill is being revised once more owing to the controversial positions expressed during the consultation procedure. It is to now be forwarded by the Federal Council to parliament in the course of 2002.

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Other legal issues

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Partial revision of the Federal Law Pertaining to Data Privacy (Privacy Act)

In September of 2001, the Swiss Federal Department of Justice and Police submitted the draft bill for a revision of the Federal Law Pertaining to Data Privacy (Privacy Act) to the consultation procedure. The main thrust of the partial revision is to implement the demands made in two parliamentary motions and the provisions of the Council of Europe's Additional Protocol to the Convention for the Protection of Individuals with Regard to Automatic Processing of Personal

Data (Data Protection Convention). The draft bill focuses on the introduction of an information obligation when particularly sensitive personal data is gathered and personal profiles are compiled. In the future, whoever collects such data or profiles is to be obligated to inform the individual involved. Other changes are also proposed, e.g. the disclosure requirement concerning the origin of data, doing away with the reporting requirement concerning collections of data pertaining to private individuals, introduction of a special procedure for prohibiting data capturing and manipulation, etc.

Some of the proposed changes are of practical significance for insurers. The SIA issued a positional statement on the proposed law on 7 January 2002. In it the SIA supports the introduction of an information obligation in connection with the gathering of particularly sensitive personal data and personal profiles, however it is of the opinion that this obligation is only to apply once such data or profiles have been collected on the individuals concerned. An information obligation pertaining to data obtained from third parties is to be dispensed with as this would unduly complicate the negotiation and implementation of contracts considerably, as well as cause associated costs to skyrocket, in addition to leading to delays in adjusting the claims filed by insureds. In the SIA's opinion, the obligation currently in force requiring companies to report their data collections — which is to be done away according to the proposed partial revision — and the disclosure obligation satisfy the principle of transparency applicable to data gathering. Consequently, the SIA is in favor of the reporting obligation being maintained. A number of suggestions will be submitted on changes to individual items of the proposed changes.

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Swiss Code of Criminal Procedure reform package

During the year under review, the Swiss Federal Department of Justice and Police conducted a consultation procedure for a Swiss Code of Criminal Procedure (StPO). The purpose of the proposed bill is to unify the current 29 bodies of procedural criminal law (26 cantonal and 3 federal) into a single code of criminal procedure applicable nationwide. Insurers are affected by the proposed bill in two ways. For one, criminal liability of companies is to be introduced according to the current ongoing revision of the penal code, which is why it is of general importance to companies how criminal proceedings are conducted. On the other hand, in asserting civil claims ensuing from criminal proceedings insurance companies are dependent on the required procedural remedies being available to them in asserting their claims. The SIA expressed its concerns on this in its petition dated 12 December 2001.

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Copyright law

1 January 2002 saw the entry into force of the new Joint Tariffs 8 for the Reproduction of Works via Reproduction Photographic Means, which had been negotiated during the last year and a half between the copyright societies ProLitteris and Société suisse des auteurs (SSA) and user associations and approved by the Federal Arbitration Commission for the Exploitation of Authors' Rights and Related Protective Rights in November in accordance with statutory requirements. The new tariffs are in effect from 1 January 2002 to 31 December 2006. They can be accessed at <http://www.prolitteris.ch>.

There has been no change in the above with regard to its impact on the insurance industry. Insurance companies with 500 and more employees will continue to be charged an annual fee based on total number of photocopies subject to reporting by the user (company) and the industry coefficient of 1.5% (according to this, 1 million copies cost ca. CHF 500). The respective annual lump-sum fees continue to apply to other insurers. What is new is how royalties are levied on the trade journal Pressespiegel. Whereas more than seven runs per year used to be charged starting at 50 copies each, according to the new law four runs a year are now charged starting at 20 copies each.

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Technical safety

The Federal Department of the Environment, Transport, Energy and Communications (UVEK) instituted the consultation procedure for the draft Federal Law on Technical Safety Control (BGTS) in the autumn of 2001.

This bill had been examined by the SIA from the point of view of its technical merits and liability. The SIA voiced no fundamental reservations as the bill contributes to the prevention of damage and loss and, thus, to increased safety. The only criticism the SIA had was with regard to a lacking ultimate consequence in implementing the approach taken as the bill provides for a shift from monitoring compliance with the standards in effect to date to a system in which the maximum permissible risk and the methodology to be applied in monitoring are prescribed. The draft bill was given a positive assessment with regard to risk management as it provides for a subdivision of hazardous facilities into various risk classifications. The SIA's comments were brief in keeping with this assessment. However, the bill met with more criticism from the Swiss industry as it fears higher costs and monitoring efforts and, thus, would like to retain the status quo.

31

Life insurance

2001 proved to be an extremely difficult year for Swiss life insurers. Premiums increased as compared to the previous year, however this was on account of a market environment with low interest rates and weak stock markets, meaning that the earnings situation of almost all companies was substantially impacted.

The situation of occupational pension schemes was particularly difficult as this accounts for ca. 60% of premium revenues from Swiss companies. The benefits of occupational pension schemes are governed by two factors, the minimum conversion rate of 7.2%, applicable to the accrued capital for transforming it into a pension, and the minimum interest rate of 4%, applicable to the savings contributions. Both rates are too high in the current environment and are no longer in keeping with real-world developments. However, quickly lowering the conversion rate is out of the question because this is the subject of the Federal Council's draft bill pertaining to the first revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG). Lowering the minimum interest also won't be happening any time soon as this rate is set in an ordinance of the Federal Council and probably won't be definite until the Federal Council's deliberative BVG Commission has come to an agreement on a model for making the interest rate flexible.

In view of this situation, two SIA members were forced to withdraw from the occupational pension scheme business, at least for the time being. Others have been forced to create sizable reserves. All the same, the occupational scheme business continues to be important for Swiss life insurers as it is a typical market entry business. In addition, this business segment rallied during last year of all things in view of the economic

recovery. As a consequence, a large portion of premium growth last year was attributable to the BVG business.

By contrast, the individual insurance business stagnated. The single-premium policy business in particular has never recovered from the stamp duty introduced on 1 April 1998 and has managed to drop to a new low. The government's expectation of boosting tax revenues by virtue of the stamp duty have not materialized. The low interest rates have also probably been contributory to this development.

In contrast to the single-premium business, the fund business proved to be surprisingly robust despite declining stock market performance. The annual-premium life insurance business also performed favorably.

As mentioned above, the asset situation created problems for life insurers. Not only were interest rates low, the Swiss stock market index lost in excess of 20% in value in tandem with key foreign stock markets as based on an annualized average. Various companies consequently suffered massive depreciation of their stock portfolios. In order to provide some relief to companies, the Federal Office for Private Insurance (BPV) permitted zillmerization for the first time, if only on the asset side.

In 2001 the Federal Office for Private Insurance (BPV) presented its proposals for liberalizing the life insurance sector in order to enable a shift from a preventive monitoring of rates to a monitoring of solvency. These proposals were submitted to the Swiss Insurance Association, among others, for its comments. The SIA spoke out in favor of the prospect of a liberalized system, however it found the proposals to be on the whole too restrictive, meaning they did not provide for any true liberalization since in many cases business transactions subject to preventive audi-

ting by the Federal Office for Private Insurance (BPV) had to be subjected to another audit in many cases. The Office promised to critically review the SIA's criticism in a joint working group in the course of 2002.

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Property insurance

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General situation

After four years of declining premium volumes in the property insurance sectors, a growth in premium revenue — albeit slight — was noted during the year under review. This silver lining in an otherwise gray cloud is the result of developments in theft insurance, water damage insurance, and insurance against fire-induced business interruption. By contrast, the premium erosion prompted by stiff competition continued in fire insurance, particularly in the industry business. However, this negative development was somewhat mitigated as compared with previous years.

As to claims figures, a trend of falling values as concerns the number of claims and loss ratios is to be noted. This is primarily the result of the incidence of loss in the natural-loss (storm and tempest) area. After a two-year period marked by an exceptionally high natural-loss burden (CHF 540 million in 1999 and CHF 440 million in 2000 according to the latest evaluation), a figure of significantly below CHF 100 million 2001 can be classified as a below-average natural-loss year.

During the year under review, the Property Insurance Expert Commission (FKS) again dealt with a wide variety of issues. The following four areas are of particular interest:

Swiss-wide earthquake insurance

A working group has been working since the autumn of 2000 on the development of a model specifically tailored to Switzerland for a nationwide earthquake insurance, a model which is based on that of natural-loss insurance and caters to the specific possibilities of insurers and market exigencies. However, a number of problems cropped up in the course of these activities which require in-depth treatment. Part of these problems are related to the drastically changed situation with regard to reinsurance (capacity, premiums, etc.).

All-risks problem

The Property Insurance Expert Commission (FKS) spearheaded an in-depth examination of the market situation of all-risks products for the property, transportation and technical insurance lines for the purpose of formulating recommendations for market participants to aid them in addressing the technical aspect of client requests. These recommendations are scheduled to be published in the spring of 2002. The recommendations essentially extend to advice as to what has to be taken into consideration in all-risks, multi-line and similar products so that statutory requirements can be complied with in full.

Fire insurance in Liechtenstein

The accession of Liechtenstein to the European Economic Area resulted in a slightly altered point of departure with regard to fire insurance, this impacting substantially on insurers and policyholders in part. For example, as of 1 January 2001 Liechtenstein-based risks no longer fall under compensation from the Swiss Storm and Tempest Pool. A delegation of the Property Insurance Expert Commission (FKS) is supporting the respective Liechtenstein authorities in overcoming the technical difficulties posed by the issues created by the new situation.

Joint statistics on property insurance (GEST)

Work on redesigning the joint statistics on property insurance was concluded. The initial evaluations applying the new statistics structure had to be pushed back on account of priority having to be given to other evaluations. However, work on this has been resumed.

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September 11th

The bone-chilling events of 11 September 2001 which riveted the world have yet to be fully comprehended. One thing is for sure — they continue to impact many areas of our lives, including the insurance industry. These events were a touchstone of sorts by showing whether the market mechanisms function as they should. Seldom before has the insurance faced such a challenge. From the point of view of the SIA it can be said that, all in all, the insurance industry is keeping its promises and will continue to do so.

Ranging between US\$ 30 billion and US\$ 80 billion, the estimates of the total insured damage vary wildly. It is accordingly difficult to project how much will have to be absorbed by Swiss insurers. Almost all conceivable insurance lines are affected, in particular property insurance — which covers property damage and losses incurred as the result of business interruption — and aviation insurance. The following are also affected: general liability, life, accident and transportation insurance, etc.

The difficulty inherent in estimating the damage total is due to a variety of reasons. For example, as to the coverage of the World Trade Center, there are various views about the number of events. In gauging business interruption, not only is an indefinite period involved but it is also uncertain to what extent the decline in profits is due to the terrorist attack or how much can be attributed to the general cooling in the US econo-

my. It is unclear whether the airlines are liable. It is also unclear whether and to what extent other third parties like airports, security companies, building owners, etc. can be held liable. It is also uncertain to what degree the government will demand compensation for services rendered by it (fire department services, rubble clearing work). These examples demonstrate that the uncertainty concerning the overall extent of damage will last for quite some time to come.

Realizing that a second September 11th, i.e. another event of this magnitude would hardly be sustainable, reinsurers have taken measures which limit terrorism coverage and make the terrorism risk assumed by the reinsurer more transparent. Industrial property insurance takes front and center stage in this connection. The reinsurance market reduced its exposure to terrorist loss by introducing terrorism exclusions, sublimits for individual risks, and per-event and per-year limits. As a consequence of this discontinuation of reinsurance coverage in part, the primary insurers in many markets are no longer willing to offer unlimited terrorism coverage. Terrorism coverage will have to be limited in Switzerland, too, at least as far as major risks are concerned. However, the danger of terrorism still remains. That is why there are efforts in several markets to develop new solutions for addressing this danger in insurance terms. One viable alternative might be to create pool solutions. In most of these concepts, the government also assumes a decisive part of the risk. The SIA, too, is making an effort to get a handle on the situation.

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Safety Institute

Being an engineering company for cost-effective, i.e. risk-adapted, cost-benefit-optimized safety solutions complying with statutory regulations, the Swiss Institute for the Promotion of Safety (SHI or Safety Institute) is an invaluable service provider to the business world, insurance companies, and the authorities alike.

Its regional offices in Zurich, Neuchâtel and Massagno primarily deal with fire protection, occupational safety, environmental protection and intruder protection. The Institute's regional office in Basle specializes in explosion protection, electrostatic charging, thermal stability, and process safety. The Institute has an internationally accredited test laboratory and test site. All of the regional offices impart pertinent, up-to-the-minute expertise in the training courses conducted by them. The Safety Institute's offerings are rounded off by numerous publications.

In the private insurance sector, the Institute is an expert service provider for assessing, tracking and following up on insured risks. Being a neutral, unbiased organization, the Institute promotes loss prevention, and thus improved risk conditions.

The Safety Institute is supporting the "Load Safety in Heavy Goods Traffic" project on behalf of the SIA (see section 3.5). The goal is to reduce damage and loss by way of prevention. The project team includes representatives of private insurance companies, the Swiss Commercial Vehicle Association (ASTAG), Routiers Suisses, the Swiss Freight Forwarding and Logistics Association, the Consulting Agency for Accident Prevention (cap), various cantonal police forces, and the Swiss Federal Office for Logistics Troops. The risk awareness of various groups is to be heightened by employing a broad-based information campaign, courses, instruction materials and brochures. The target groups are transportation and freight forwarding companies, professional drivers and their instructors, and inspection and customs agencies. There is considerable interest in the project. Realization of the project is scheduled for the autumn of 2002.

The Institute's executive board, management and ca. 100 staff can look back on an altogether successful 2001.

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Motor insurance

The continuing worsening of technical results prompted several companies to upwardly adjust the motor liability premium rates for 2001. This caused the Competition Commission (WeKo) to initiate a preliminary investigation into purported rate-fixing agreements between these companies restricting competition. The Competition Commission published its final report on 27 June 2001. It found no indications of rate fixing between the insurance companies with regard to their simultaneously raising their premiums. The preliminary investigation was discontinued without any consequences for the companies. The inadequate premium level forced numerous companies to also upwardly adjust their rates for 2002 as well. The average premium per vehicle has been on the decline during the past few years whereas the incidence of loss has increased substantially. This increase was primarily due to rising repair costs, and also a dramatic increase in healthcare costs in particular.

During the year under review, the Motor Insurance Expert Commission dealt with a series of projects, campaigns and consultation procedures relating to motor insurance. One project involved the preliminary work for advancing the introduction of an electronic insurance card (proof of insurance coverage). A detailed concept was drafted and a pilot program is scheduled to be launched in 2002. During the phase during which differences were being settled between the National Council and Council of States with regard to the two-phase training for beginning drivers in the revision of the Road Traffic Act (SVG), the Motor Insurance Expert Commission repeatedly presented its arguments, which showed the significance of compulsory continuing driver's training for all beginning drivers. The Commission also dealt with the EU 4th Motor Insurance Directive. Among other things, this so-called

“Visitor Protection Directive” enables claimants to also assert their claims for damages ensuing from traffic accidents outside their country of residence at their domicile. An adoption of the Visitor Protective Directive by Switzerland would not only be in the interest of all EU member states but also in Switzerland’s as well, as it improves the legal status of Swiss road users in accidents outside the country (cf. section 1.4 in the International section). During the year under review, the Expert Commission also dealt with a direct settlement agreement project. This procedure — already common in a number of countries — provides for motor insurance liability claims to be settled by one’s own insurance instead of the opposing party’s insurance. The clarifications into the impact of such an agreement are still in process.

The Motor Insurance Expert Commission (FKM) also dealt with the Telematics in Road Traffic project. The purpose of this project is to unite the possibilities offered by telecommunications and computer science and utilize them to advantage in traffic management. At the request of the Expert Commission a working group was charged with conducting a preliminary study on the feasibility of establishing a central emergency call system for auto insurers in 2010 within the framework of the road traffic telematics model for Switzerland. Another topic dealt with by the Expert Commission was the campaign “Drive during the Day with Your Lights On”. Introducing and implementing a corresponding regulation was actively supported in collaboration with the motor insurers. Finally, the Motor Insurance Expert Commission also dealt with the impact of terrorism on motor insurers and examined the question of whether an earthquake risk could also be insured and what form this would take. These clarifications are still in process.

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Liability insurance

For some years now, the developments in general liability insurance have been comparable to those in the motor liability insurance business. Premiums rates are at an all-time low and are confronted by a constantly rising cost of claims. New risks posing an enormous loss potential like terrorist attacks, BSE or genetic engineering are additionally making considerable demands of the players in this insurance segment. The deficits reported are taking on quite an alarming dimension, with the national business faring particularly poorly. At least a trend reversal in premium rates is to be noted at the international level. Consequently, there is hope that the business practice in the Swiss market will be reconsidered.

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Transport insurance

Although an erosion in premium volume was to be noted in transport insurance, the earnings situation in this sector can still be termed as altogether satisfactory.

During the year under review the Transport Expert Commission (FKTr) dealt with the following three topics in addition to its day-to-day tasks:

Swiss Post

The restructuring of Swiss Post’s service offerings ultimately has a direct effect on the activities of transport insurers, with the activities of the customers being affected as a result. In view of the variety of points of contact shared between them, Swiss Post management and representatives of the Transport Expert Commission (FKTr) have agreed to instituting a regular exchange of

ideas and information. This is intended to improve coordination in the interest of customers. The Transport Expert Commission conducted an open seminar on the Swiss post office on 13 November 2001. This event enabled the participants (insurers, brokers, freight forwarders, etc.) to be informed about the objectives, projects and proposed technical solutions for the partly privatized Swiss post office. This get-together was very favorably received by those who attended.

Load safety (loss prevention)

Load safety is gaining in importance in road transportation operations. Insufficiently or improperly secured loads cause accidents with resulting injuries and property damage more often than it would generally be thought. Consequently, work is currently being done on a project which is designed to counter this unfortunate situation. The following are involved in this project: insurers and other interested groups like the Swiss Commercial Vehicle Association (ASTAG), the Swiss Freight Forwarding and Logistics Association, the Swiss Road Safety Council, Consulting Agency for Accident Prevention (cap), etc.

New joint statistics of transport insurers

While taking stock of all the joint statistics maintained by the SIA of the former sectoral associations it was shown that the former annual transportation insurance underwriting statistics had to be formally put on a new foundation. The corresponding work on this has been initiated and should be completed by mid 2002.

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Technical insurance

A continued decline in the premium level is also to be noted in technical insurance. As to claims figures, there were a number of major events to be noted. However, the earnings situation in this sector can still be said to be on the whole satisfactory. To be sure, the hazard potential increased owing to various circumstances. Consequently individual market players will be forced to take countermeasures.

IT equipment insurance

In the course of conducting a fundamental examination of existing IT equipment materials, the Technical Insurance Expert Commission (FKTe) recognized the limitations which are posed to a project of this type in view of the current market environment. Although it would be advisable to further develop coverage in the interest of customers in view of the rapid technical advances in this market segment, this is currently no longer possible on account of the differing opinions of various market participants, among other things. Consequently, the Technical Insurance Expert Commission had to restrict itself to taking stock of the situation and making a number of general recommendations.

Stamp duty problem

The technical insurers have been grappling with this topic for quite some time now. In the interest of all market participants, the Technical Insurance Expert Commission and the SIA's tax law specialists are currently in the process of drafting a number of recommendations in concert with the Swiss Federal Tax Administration.

Technical insurance primer

In view of the need to update the instruction materials used in this area, a team of the Technical Insurance Expert Commission (FKTe) is currently developing a new textbook in tandem with independent experts which is adapted to new market exigencies. A rough draft of this primer has been completed. Now the primer has to be adapted to today's users from a technical and design point of view and with regard to the instruction methods employed. Since the primer is being developed using the SIA's "double-duty volunteer system", meaning SIA members are contributing their time in addition to their normal work, the primer is not expected to be published before the autumn of 2002.

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Legal protection insurance

The upward trend in legal protection insurance continued last year. In 2000, the gross premium revenue volume reached CHF 228 million (1999: CHF 215 million; 1998: CHF 181 million). 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 has room for continued growth as many people are not yet covered. The legal insurance companies represented in the SIA cover over 95% of the Swiss market.

The number of specialized legal insurance companies remained unchanged during the year under review. It is as yet uncertain whether the products of individual legal insurers combined with health insurance plans or other insurance providers in the market will be able to establish themselves, as reported in the 2000/01 annual report.

The Ordinance of the Federal Council Pertaining to Legal Protection Insurance, enacted in 1993, applies to all legal protection insurers. It was enacted at a fairly early date in connection with the adaptation to EU law (a.k.a. the "Euro-Lex Package") and has essentially proven worthwhile. Like modern-day consumer law, this ordinance addresses the various core concepts of legal protection insurance policies, and the position of insurance companies as a composite insurer or as an independent claims adjustment organization. The Ordinance's provision pertaining to the procedure to be followed in settling disputes between insurance companies and their customers is of key importance. It should be noted in this connection that the SIA's Legal Protection Insurance Expert Commission is negotiating an agreement with a delegation of the Swiss Bar Association which might result in a uniform and expeditious treatment of such cases in the interest of all parties involved.

Legal protection insurers have been watching with concern the impending entry into force of the new Federal Law Pertaining to the Freedom of Movement of Attorneys (Attorney Act) of 23 June 2000, which is to be enacted in parallel with the ratification of the EU bilateral treaties, i.e. before the end of 2002. What is particularly significant to them in this connection is that this law would result in enhancing the monopoly of self-employed attorneys (i.e. members of a law firm, whether partners or employees), which is in stark contrast to the forward-looking orientation of the law and liberalization. In other words, with the entry of this law into force legal protection insurers would no longer be permitted to have their own in-house attorneys represent their clients in court. The same fate would befall the in-house lawyers of consulting firms or legal service departments of corporate groups. To date, this cost-effective method of client representation was possible in many cantons with liberal attorney laws, however this has been abridged by the federal legislator,

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and will invariably lead to a rise in the external claims costs of legal protection insurers. The future and implementation in the cantons will show whether this development will negatively impact premiums. In implementing the attorney laws in the cantons the most important thing is to see to it that the monopoly is not further expanded, that the legal protection insurance companies are able to inspect records on behalf of their clients in all proceedings, and that they are able to participate in determining and examining the fees paid by the legal insurers to self-employed attorneys.

After no conferences could be conducted in 2000 for compulsory accident insurance heads and consulting physicians on account of the change in the Medical Director, this tradition was continued in 2001 at the usual sites in Montreux, Brunnen and Egerkingen. Conferences of this type are designed to bring the participants up to the same level of knowledge and to help them establish and maintain contact with others. These goals seem to have been achieved in view of the highly competent speakers, the lively discussions, the talks during the breaks, and the feedback received from the participants.

The main topics of all three conferences were the problems involved in chronicity subsequent to whiplash, which occurs most often in connection with rear-end collisions. Since the Swiss Insurance Association is currently in the process of conducting three studies on this topic which are designed to contribute to remedying the current stagnant medical and legal situation, it seemed appropriate to investigate this problem as the main conference topic.

The Radanov study — which involves the comparison of three different types of therapy (pain-killers/physiotherapy/infiltration), with every second subject undergoing structured psychotherapeutic pain management training — showed preliminary results indicating that the combination of infiltration and, in particular, pain management training offers the greatest prospect of success. 20% of the subjects were completely symptom-free subsequent to therapy, 40% indicated a clear-cut improvement, whereas symptoms remained unchanged in the remaining 40%.

The RAND study is subdivided into three parts: part one involves a literature review and the summarizing of 800 concluded cases with questionnaires; part two features panels consisting of healthcare professionals and non-healthcare professionals; and part three consists of an ana-

lysis and synthesis of all results. The objective of the study is to investigate accident- and patient-related chronicity factors and to show measures which can be applied to counter this. To date the preliminary results have clearly shown that the times of immobilization in a molded cervical collar belong to the past, and that an active pain-free mobilization of the cervical spine is to be striven for without reproducing or worsening symptoms, with the patient to act as usual in going about his day-to-day living.

Study entitled “Improvement of the Fundamentals for Computing Vehicle Loading in Rear-end Collisions at Low Speed” (crash study): The preliminary results obtained to date show that newer vehicles with their reinforcement cannot be compared to older vehicles and that a study of this type is urgently needed to build up a transparent reference database. Only in this way can accident analyses and biometric expertises gain acceptance by insureds, attorneys and the courts alike.

In addition to the above studies a fourth element is to be introduced, i.e. a “documentation sheet for initial consultations subsequent to whiplash injury” to be used by all accident insurers and supported by various medical societies. This sheet is to be introduced in paper and electronic form in the course of 2002.

Data privacy: There is frequently uncertainty on the part of physicians when it comes to surrendering the medical records of their patients. In order to address this deplorable state of affairs, an article by legal experts and healthcare professionals was published in issue 50/2001 of the Swiss Medical Journal of 12 December 2001 containing thoughts on data privacy law aspects in accident insurance law, with a focus on the obligation to make records available. It can only be hoped that insurance companies will have less difficulty in the future in gaining access to records in accident insurance cases in order to determine the benefits incumbent upon them.

In a ruling handed down by the Federal Insurance Court in June 2001, the Court established that accident insurers have to accept an accident-like injury even if it is clearly based on a pathological or degenerative process caused by an external accident-like event. In other words, not the damage or injury has to be accident-like, but rather the external event. The consequences of the Court's ruling are clear at present: in-depth medical assessments of pathomorphology and etiology in examining and analyzing injuries can be dispensed with; the physicians only assess whether the case at hand conforms to a listed case pursuant to section 9.2 of the Accident Insurance Ordinance (UVV). The Administration's task is to assess the event and classify it as accident-like or non-accident-like. The future will show how long this ruling holds.

The negotiations and changes in TARMED were successfully concluded towards the end of the year, with the parties to the agreement (FMH, H+, Santé Suisse and the Medical Fee Commission (MTK)) approving the fee schedule. In the course of 2002 TARMED will be introduced for the payment of out-patient services of physicians in accident insurance/military insurance/disability insurance; the hospitals and health insurance funds will not be introducing this fee schedule until later.

Prevention

Swiss private insurers are very committed to prevention and therefore try to prevent loss. They (co-)sponsor the following organizations which are active in various prevention areas:

- Swiss Council for Accident Prevention (cap)
- Swiss Toxicological Information Centre (STIC)
- Federal Coordination Commission for Occupational Safety (FCOS)
- Swiss Council for Accident Prevention in Agriculture
- Swiss Institute for the Promotion of Health
- Swiss Road Safety Fund
- Safety Institute
- Swiss Council for Fire Prevention

Most of the above institutions are financed by way of premium surcharges, whose use is specified in clear-cut terms in the respective law. Last year, the Federal Council rejected an increase in the surcharge for non-occupational accident insurance. At the same time it took the first step toward improving coordination in prevention by assigning a coordination conference for this purpose. By concentrating their resources, the private insurers are seeking to make a substantial contribution to coordinating prevention. Consequently, the SIA's Executive Board decided that the SIA will be represented in all these organizations by a member of the SIA's Head Office. As to accident insurance, the Association additionally finalized an agreement for closer collaboration with the Swiss Council for Accident Prevention (cap).

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Attitude of the Swiss people to insurance fraud

The findings of a survey conducted during the year under review showed that every 5th individual surveyed knows someone who has engaged in insurance fraud at one time or another. Taking into account the margin of error built into surveys of this type, the findings confirm the results of previous surveys, enabling the conclusion to be drawn that fraud has more or less remained the same during the past few years. Approximately 80% of those polled thought that excess claims harm all policyholders. To be sure, one third of those interviewed thought that insurance companies are too generous when settling claims and often disbursed benefits without examining the claims. No less than 90% of those polled were in favor of attempted fraud being prosecuted, saying that they thought those caught ought to be punished more severely. The findings also show that the Swiss people are now more aware of the potential consequences of attempted fraud as compared to the past. However, 45% claimed that they didn't know that the insurance company was not compelled to disburse the benefits as provided for in the policy when detecting a fraud attempt. Yet 83% of those surveyed said they knew that insurance fraud not only could incur civil liability but result in criminal prosecution as well. This all shows that the public education work of the last few years has contributed to the Swiss people's level of knowledge with regard to insurance fraud and its consequences improving somewhat.

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Central information system

During the year under review, 758 cases of fraud (individuals and companies) were reported to the Central Information System to Fight Insurance Crime (ZIS register). As compared to the previous year, this corresponds to an increase of ca. 13%. However, this increase does not mean that attempted fraud is actually on the rise. The reason for this increase is due to the expansion of the operations of fraud agencies for combating fraud and the resulting substantial increase in the number of cases of attempted fraud detected. The ZIS register's 2001 statistics show that males in particular (i.e. four fifths of all new cases reported) attempt to defraud their insurance company. This finding is hardly surprising seeing that an overwhelmingly larger number of men than women are involved in insurance matters. An analysis according to age shows that the offenders are primarily in the 30 to 40 age group. When compared to previous surveys, this indicates a slight shift to older age groups. Motor insurance clearly accounted for the lion's share during the year under review, with almost half of all new cases reported being attributable to this insurance line alone. This was followed by house contents insurance (ca. 15%) and liability insurance (ca. 8%). All these cases accounted for a combined total of ca. CHF 20.9 million. The actual total is substantially higher when it is considered that not all fraud is recorded in the ZIS register. It should be noted that the Insurance Fraud Commission was extensively involved in developing a project for an electronic ZIS register during the year. The agencies and bodies involved with implementing this database project expect the effectiveness of the ZIS register to be enhanced considerably as a result.

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White-collar crime training program

During 2001 the first postgraduate program on white-collar crime was launched at the polytechnics of Lucerne and Neuenburg. This educational opportunity newly created by private industry and public-law entities was met with considerable interest. Approximately one hundred entered the first work-study program lasting three semesters. By focusing on the program's core disciplines criminology, law, economics and computer science, the students are training to become specialists for combating fraud and other white-collar crimes. Those employed in the private insurance industry can also be admitted to the program. Admission requirements are: completion of a degree from a higher institution of learning, e.g. university, higher school of economics and administration, or equivalent education along with relevant occupational experience. The program is comprised of ca. 1000 hours of instruction, with attendance being required for 750 of those hours. Those successfully completing the program receive a state-certified "Postgraduate Diploma in Combating White-Collar Crime Issued by the NDS-BKW/HSW of Lucerne".

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Exchange of information and cooperation

Experience shows that successfully combating fraud can frequently only be done by exchanging information. However, data protection and privacy regulations restrict cooperation severely. In order to promote cooperation, the Insurance Fraud Commission periodically organizes conferences, inviting non-insurance agencies with an insurance fraud connection. For example, approximately 100 delegates from the private insurance industry, the Swiss National Accident Fund (SUVA), and the police met in Basle in August 2001. The following areas were covered: explanation of insurance fraud and prevention

from a psychological point of view, the role of the police and private detectives in solving fraud cases, the latest theft-proof equipment for vehicles, motor insurance fraud, and court rulings pertaining to combating insurance fraud. Plans have been made to continue this series of educational events in 2003. An "Insurance Fraud Working Party" was organized in collaboration with the competent police agencies. Among other things, this committee is designed to examine the areas in which closer cooperation between insurers and the police is possible.

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Public relations activities relating to combating money laundering

During the year under review, the insurance fraud specialists of the SIA member companies met for regular conferences at the initiative of the Insurance Fraud Agency. These meetings are not only for the purpose of exchanging information, but also for showing new trends in the fraud scene and presenting newly developed electronic fraud detection systems. Four issues of the Association's The Insurance Fraud Letter were published during 2001. Topics covered: evaluation of Central Information System to Fight Insurance Crime (ZIS register), observations, fraud indicators, and results of opinion polls. During the year under review, many insurance fraud items appeared in the print media and on radio and television. Of particular interest to the media was the topic of staged accidents. After it became public in a court case in Germany that those convicted of fraud in the case had staged several traffic accidents in Switzerland, the question was asked whether this phenomenon was also on the rise in Switzerland and what countermeasures the insurance industry and the police could take. In the event that the number of this type of fraud cases is discovered to be increasing, suitable concrete measures would have to be taken to stem the problem.

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New instruction materials published by the SIA

The new insurance instruction kit entitled SchadenFreunde was introduced at a media conference on 15 May 2001 to celebrate the Swiss Insurance Association's 100th anniversary. SchadenFreunde evolved over a two-year period. The result is a modern, flexible instructional guide on insurance. Its content and design represent the combined efforts of educationists, SIA experts and representatives of the target group, i.e. young people from throughout Switzerland. A detailed teaching guide shows instructors the modular structure of the subject matter and provides recommendations for optimally using the insurance kit in class. The workbook with CD-ROM, instruction guide, the www.schadenfreunde.ch Website in three languages, and an attractive board game all contribute to making this resource intriguing and entertaining.

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Internet and extranet

An increasing number of visitors was to be noted to www.svv.ch, the SIA's Website. The SIA's insurance information offerings — available in four languages — are sizable. The target groups are media people, insurance company staff members and private individuals. The Website is updated with FAQs, the SIA's views and positions on new bills, press releases and information on the SIA's various prevention campaigns, in addition to general insurance topics.

Work on the SIA's extranet began in the summer of 2001. The first phase consisted of defining the structure, content and technical requirements. Like the SIA's Website, the extranet will be attractively designed and user-friendly. A distinction will be made between the "inside" and the "office". The Inside area will be open to all the employees of the SIA members. The News,

Bulletins, Focus, Who's Who, Downloads, Links, Agenda and Archive sections will contain Association information. The Office area will offer the SIA's individual committees, commissions and working parties a platform for their (interactive) work. It can be adapted as needed to the requirements of the Board Committee and specialist bodies. The extranet is designed to optimize the flow of information between SIA members, specialist bodies and the Head Office.

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Communications campaigns

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Expo.02

One of the focuses of the SIA's communications campaigns is prevention. The SIA will be at Expo.02 from 15 May to 20 October 2002 with its project "SignalPain" at the Yverdon-les-Bains artepilage. The exhibit will deal with the topic of pain in a sensitive manner. The visitor to the exhibit will learn about the whys and wherefores of pain, with the emphasis being placed on prevention. This project is the collaborative effort of the Swiss Council for Accident Prevention (cap), the Federal Coordination Commission for Occupational Safety (FCOS), the Swiss National Accident Fund (SUVA), the Swiss Institute for the Promotion of Health, and the Swiss Traffic Safety Council.

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Other campaigns

The SIA's Storm & Tempest Pool sponsors the instruction project Protection.Forest.Man. In this project instruction paths on the topic of "Natural Hazards — Protection Forests — Man" are being created at eight sites in mountain areas. Visitors have fun learning about the protection offered by intact forests and how they help to prevent natural hazards. The first instruction path was opened at the end of May 2001 in Grafenort (OW); others will follow this year and next.

In the spring of 2002 the SIA conducted the *Gegen Zeck auf Zack* campaign against ticks for the second time. Shortly before Easter all Swiss households received an easy-to-understand companion flyer containing useful prevention tips. The flyer serves to inform people about the worsening spread of disease-carrying ticks. It also advises on what to do if bitten by a tick so that serious, incurable diseases can be prevented. The flyer can be ordered free of charge by writing to info@svv.ch.

The SIA supported the “Drive with Your Lights On” campaign initiated by the Swiss Council for Accident Prevention. During the winter months of 2001/02 motorists were called upon by posters, radio infomercials and flyers to drive with their lights on also during the day so as to substantially reduce the number of road accidents. According to the Swiss Council for Accident Prevention, up to 40 traffic accident deaths could be prevented in this manner. The campaign was prompted by a federal regulation of the Traffic Regulations Ordinance that went into effect on 1 January 2002. This campaign will be continued in the next two years.

Thanks to the SIA's partnership, the Swiss Association for Sports in Schools (SVSS) was able to publish the instruction aid *Mut tut gut!* It is ideal for work at the elementary level in kindergarten and primary school. Handy and proven in practice, the *Mut tut gut!* guide provides new impulses in physical education, thus providing children an indispensable development stimulus. The Association again ran an informational advertising campaign entitled the “Insurance Advisor”, with pieces appearing weekly in *Sonntagsblick* in the German-speaking part of Switzerland, and in the Saturday editions of *Le Matin*, *Tribune de Genève* and *24 heures* in Western Switzerland. These editorial advertising texts contain a short reader question on an insurance topic and a comprehensive answer.

The topics were chosen from all of the main insurance areas (e.g. motor, property, liability, medical/accident, financial provision). The collection of questions and answers has been integrated in the SIA's Website as FAQs in the Consumer Info section.

The new edition of the Insurance Primer will be published in mid 2002. Being directed at a wide audience, this booklet informs the reader about insurance fundamentals, explains key insurance concepts and insurance types, and offers useful information and tips about insurance. This publication is available in German, French and Italian in printed form and on line at www.svv.ch.

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Media relations

The SIA's annual media conference took place in Zurich on 23 January 2002. It was attended by ca. 40 media representatives from the German-speaking part of Switzerland, French-speaking Switzerland and Ticino, in addition to neighboring countries. The event was chaired by SIA Chairman Dr. Hansjörg Frei. He established that there is continued interest on the part of the media in developments in the private insurance sector — and the problems facing it. In his talk he dealt with business developments in the insurance sector during 2001. In their talks, Board members Rudolf Kellenberger (Swiss Re) and Roland Chlapowski (Rentenanstalt/Swiss Life) addressed the impact of September 11th on the insurance industry and controversial aspects relating to the first revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG).

During the period under review, the SIA issued a number of media communiqués on a wide variety of current topics, e.g. the situation of the insurance industry with regard to the aviation industry,

the damage caused by the storms in Valais, the latest employee statistics of the private insurers, or the development in motor liability premium revenue. Apart from general questions relating to day-to-day insurance topics, the members of the media were also highly interested in political issues with which the Association is currently involved, e.g. the first revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG), issues relating to legislation on genetic engineering, and the discussion on oversight of the financial market.

The terrorist attacks of September 11th were of particular interest and consequently took front and center stage in the media's queries. Never before has the insurance industry been faced with such a challenge, as almost every conceivable insurance line was affected. The questions posed by the media were accordingly very diverse. The following topics in particular were broached: coverage amounts, liability issues, the problem posed by recourse claims, differences in the definition of concepts such as terrorism and acts of war, to name only a few. Apart from responding to phone queries, experts were also frequently provided as interview guests for news features and various television shows.

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Other information activities

Internal communication extends to making available information for SIA members and the SIA's commissions and committees as needed. These are core activities of the SIA's Head Office. Since 1 January 1998 the SIA has been issuing an internal printed publication two to four times a year entitled Inside-Info SVV — Wichtige Mitteilungen aus dem SVV (Inside Info — Important Notifications from the SIA). This publication was redesigned in June of 2001 to make it more professional and attractive. The new version is now published quarterly in German and French,

forming a contemporary information platform for important briefs, business items and news. This inside information is made available to SIA members, all SIA commission and committee members, and friendly institutions and organizations.

During the period under view, the trade journal Pressespiegel was again published weekly. The majority of subscribers to Pressespiegel are directors and managers of SIA members, although it also attracts subscribers from outside the industry.

Demoscope, a market research institute, conducted a qualitative opinion survey on behalf of the SIA in October of 2001. The survey focussed on: the image of the private insurance industry, in particular its image as employers, in addition to provident schemes (pension funds), insurance fraud, and the attitude of those surveyed to various marketing and sales channels.

Basic and advanced education and training

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Insurance Industry Vocational Training Association (VBV)

At the delegate meeting in Bern on 17 May 2001, Dr. Johannes Hensel was unanimously reelected as VBV chairman for two more years. The following were newly unanimously elected to the VBV executive board: Rolf Bolli, Head of Training at Allianz Suisse, Beat Frei, Head of Solution Center Training at Basler, and Hans-Jürg Martin, management board member at Winterthur Versicherungen. The agenda items prescribed by the articles of association (annual accounts, auditor's report, annual reports, budget) were approved unanimously and without any deliberation.

The VBV executive board dealt with current business in four meetings. It established its key objectives at its private meeting in June: Creating an "insurance academy" and an e-learning platform, providing instruction content, and implementing the reformed basic commercial training in the insurance industry.

The Swiss Conference of Private Insurance Training Managers (STAPA) took place on 28 February 2001 in Basle. Central topics: program and examination leading to the Swiss-Certified Private Insurance Specialist Diploma and the reform of basic commercial training. The talk entitled "Consolidation Phases of Insurance Markets: What Are the Consequences for HRM?" given by Prof. Dr. Walter Ackermann of the Institute of Insurance Economics of the University of St. Gallen met with considerable interest.

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Centralized and decentralized education and training

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Centralized education and training

The modules risk management and insurance and the core module Insurance Diploma were developed in collaboration with the Institute for Insurance Economics (IVW) of the University of St. Gallen. The following modules were offered in the insurance specialist degree program (eidg. dipl. Versicherungsfachexpert or Swiss-Certified Insurance Expert with Federal Diploma): risk management and insurance, insurance techniques, product management and reinsurance. Swiss Re was instrumental in its contributions to developing and conducting the last module.

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Decentralized education and training

Since there was an insufficient number of participants for conducting the insurance module courses at the certificate level in Aarau for three years in a row — despite the considerable marketing efforts on the part of the regional vocational training groups — the VBV and the partner school in Aarau decided to terminate the joint agreement as of the end of 2001. The Train the Trainer courses offered by the VBV met with considerable interest, and were conducted in German, French and Italian for the first time during the year under review.

The VBV course materials for instructors and course participants are continuously updated. Last autumn revised versions were published on accident and medical insurance, insurance law, and transport insurance. In August of 2001 the Decentralized Education and Training Unit again invited the partner schools to a session for

the purpose of exchanging information and experiences. The training centers have considerable need for information, particularly with regard to the modular professional qualification system. Attendance of the session was high.

The entire insurance module course offerings of the VBV's partner institutions were published as a national curriculum twice during the year under review. The curriculum is continuously updated and published at www.vbv.ch.

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Learning and Information Media (LIM)

Companies who purchased licenses for the Cyber-test training and test tool from the VBV have been able to obtain release 2 since August of 2001. The Learning and Information Media (LIM) Unit formed a working group in the summer of 2001 for the purpose of supporting and ensuring the continued development of Cyber-test.

During the year under review the VBV expanded its instruction program offerings. It purchased the following programs: Basiswissen Fonds ("The ABCs of Funds") from Helvetia Patria Versicherung and Haftpflichtrecht ("Liability Law") from Zürich Schweiz. Both products have been available from the VBV since the beginning of 2002 in exchange for the payment of a license fee.

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Insurance intermediaries

The consultation procedure for the curriculum developed by the Brokers and Intermediaries Unit for the minimum basic training of insurance brokers generally revealed a positive picture and confirmed the course being pursued. The SIA Commission for Field Service and Marketing Matters (AVK) also took approving note of the unit's work. A meeting with the Federal Department of Vocational Training and Technology (BBT) resul-

ted in the comment that verification by the Association of proof of expertise would suffice. In addition, it was also suggested that the educational concept drafted be modularized and be made part of a federal certificate or diploma. As soon as the report/positional statement and the proposal of the Federal Council pertaining to the revision of the Insurance Supervisory Act (VAG) and the Insurance Contract Act (VVG) have been published, work can be resumed on a model for a general insurance intermediary qualification by way of an examination administered by the Association and entry in the insurance broker register.

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Trade literature

During the year under review, the second edition of the reference guide Lebensversicherung — aktuell ("Life Insurance Today") was published. The revised manuscript by Kühn/Fasnacht entitled Dienstleistungsmarketing — Planung und Gestaltung der Kundenbeziehungen ("Service Marketing — Designing and Managing Customer Relationships") was turned over to the publishing house as well as the manuscript of the French translation of Rechtliche Grundlagen, ZGB und OR: Eine Einführung ("Legal Fundamentals, Civil Code and Law of Obligations: An Introduction") by Peter Schenker.

The editorial commission is also at work revising the reference guide Technische Versicherungen ("Technical Insurance") and the new reference guide Grundlagen der Personen- und Sozialversicherung ("Fundamentals of Personal and Social Insurance").

Reform of basic commercial training

By being represented on most committees dealing with the reform of basic commercial training, the VBV has succeeded in contributing insurance industry experience and actively helping to shape the reform process from pilot program to definitive new vocational training program.

During 2001 the i/c expert group developed a new concept for subdividing in-company training achievement goals under the auspices of the VBV's managing director. The experience gained in the pilot programs have shown that the portion of general commercial achievement goals in in-company training is too high, and that the portion relating specifically to the insurance industry is insufficient. The new concept would enable this situation to be remedied. In the future definitive model program for reformed vocational training, all achievement goals will be capable of being formulated in a manner specifically relating to insurance. This will ensure that those completing training will have sound knowledge of the insurance industry.

Over 300 insurance trainees are currently in pilot classes of the reformed basic commercial training program. The first pilot insurance trainees completed their training in the summer of 2001. Experience shows that the young graduates of the program will be able to satisfy the high expectations made of them.

Before the reform is introduced in 2003, the VBV is planning a nationwide information campaign for the vocational instructors and trainers in the insurance industry and other groups. The trainee handbook "Insurance Made Easy" will be revised with regard to the new content.

Europe

The VBV stepped in for the original organizer from Hungary, who had to cancel on short notice on account of internal difficulties, and conducted the European Conference of the National Institutes for Professional Insurance Education in Switzerland in November of 2001. 35 delegates from 25 countries convened for two days to deal with the conference topic "Introduction of E-learning in Insurance Education". In workshops they discussed approaches and ideas from various countries pertaining to the following topics: "Relationships between Traditional Instruction and E-learning", "Abilities and Competencies of E-learning Tutors", and "E-learning Business Models".

In addition to e-learning, the attendees also dealt with a European certification of financial planning qualifications. They resolved to establish a working party on this which is to present initial results at the next conference. In concluding the conference, two talks were given: The first one was given by Dr. Bruno Porro, member of the Management Board at Swiss Re, on the challenges posed to reinsurers in the wake of the terrorist attacks of September 11th. The second one, given by Galina Chernova — vice chancellor of the Insurance Institute of St. Petersburg — addressed the Russian insurance market and education and training aspects.

The VBV's various foreign contacts also led to concrete results during the year under review. An agreement was signed with the German Insurance Academy (DVA) which governs the mutual recognition of the highest insurance specialist qualifications. Now holders of the Swiss-Certified Insurance Expert with Federal Diploma can apply for the German qualification *Versicherungsbetriebswirt DVA* (Insurance Business Administration, advanced qualification certified by the

DVA). Similar agreements are currently being negotiated with England and France. The VBV is also actively involved in the working party for a European certification of financial planning qualifications.

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Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP)

The considerable interest and success of the modular education program continued to build during the year under review: Approximately 2,600 (previous year: 1,500) registered at the newly created office in Bern for the ca. 12,000 module examinations (previous year: 7,600) leading to the federal certificate to be administered during the examination session in the spring of 2001. The enormous number of registrations required approximately 1,000 experts to process them. It seems that the need to catch up with regard to qualified financial planning specialists continues to be high, seeing as 51% of those applying decided in favor of this specialization. This is contrasted by banking (25%), insurance (18%) and no specialization specified (6%). For the first time on 29 November 2001 in Bern, the BVF examining board was able to issue 309 federal certificates to those successfully completing the modular examination. Breakdown of certificates issued: insurance (47), banking (86), and financial planning (176). These management level employees of tomorrow now have the following qualification:

Versicherungsfachmann/Versicherungsfachfrau (Swiss-Certified Insurer (Federal Certificate), Bankfachmann/Bankfachfrau (Swiss-Certified Banking Specialist (Federal Certificate), or Finanzplaner/Finanzplanerin (Swiss-Certified Financial Planning Specialist (Federal Certificate)). As indicated by the registration statistics for the module examinations to be administered during the examina-

tion session in the spring of 2002, the growth process for the BVF system is by no means at an end, seeing as approximately 3,300 have registered for the ca. 14,300 modular examinations. As a consequence, the BVF is the largest examining board in Switzerland for vocational qualifications pursuant Vocational Training Act.

The demand for completing a federal diploma in the finance sector continues to be relatively weak. In the examination session in the autumn of 2001, only 12 module examinations of the total of 23 qualification level modules were offered. 185 sat for 584 modular examinations. Examinations will be offered for all modules in the autumn of 2002 for the first time.

One of the key advantages offered by the modular professional qualification system is the possibility of quickly completing advanced education and training. After having administered examinations for two years now, the BVF will be making the first adaptations in 2002; in particular, more details and simplification of specific items will be done in the module descriptions. The BVF's executive board also resolved to revise its articles of association. Starting in 2002, the BVF will be dealing with education and training topics. The BVF is also planning to admit other interested organizations as members in order to provide for a sounder basis.

Private Insurance and SUVA Ombudsman

The Private Insurance Ombudsman — established in 1972 — expanded its remit during the year under review. Previously, compulsory accident insurance under the Accident Insurance Act (UVG) was excluded from treatment by the Foundation. As a consequence there was a gap in this area which the insureds and accident insurance claimants — and the Foundation itself — felt to be remiss. The SIA and the Swiss National Accident Fund (SUVA) agreed that compulsory accident insurance (in which private insurance companies are also involved) be integrated in the Foundation. This resulted in the new Private Insurance and SUVA Ombudsman Foundation, which started operation on 1 January 2002. It is estimated that the number of cases dealt with by the Ombudsman will increase by one third due to the inclusion of the new insurance segment.

The Ombudsman Foundation — headed by Federal Councilor Dr. Lili Nabholz — dealt with a total of 2419 cases during 2001, a good 7% more than in the previous year. An analysis of the last five years reveals the following with regard to the sectors and cases dealt with (cf. table): Of the total 2001 cases, ca. 1400 involved claims adjustment, 500 policy terms, and 400 policy cancellation.

Sector	2001	2000	1999	1998	1997
Health	301	287	282	343	307
Third-party motor liability	408	366	352	291	389
General liability	357	301	292	283	300
Life	506	400	350	410	313
Fully comprehensive motor	133	111	150	168	134
Theft	81	74	118	131	117
Accident	112	89	87	120	123
Legal protection insurance	100	104	98	92	86
House contents	249	108	84	94	63
Rest of world	172	414	368	200	283
Total	2419	2254	2181	2132	2115

As explained in the Foundation's annual report, the marked increase in the cases presented to the Ombudsman is due to various reasons. For one thing, it has become much more well known. In addition, insureds evidently frequently have the feeling that they are getting the short end of the stick when it comes to differences of opinion with their insurance company, their only option being to take recourse to the Ombudsman. Generally speaking, the willingness of insureds to fight for their claims (whether or not they are justified) has increased as insurance premiums account for a sizable chunk of many a family budget. Finally, the Ombudsman is frequently consulted for a second opinion; it often also serves as a lightning pole so to speak.

It should be noted that the Private Insurance Ombudsman is not responsible for all insurance questions. For example, the following do not fall within the province of the Ombudsman Foundation: problems with non-private health insurance funds, employee benefit schemes, and "classical" social insurance (e.g. Old-age and Surviving Dependents' Pension Scheme (AHV), Disability Insurance Scheme (IV), unemployment insurance).

Swiss insurers during the Third Reich

At the end of March 2002, the Independent Committee of Experts on Switzerland and World War II (UEK, the Bergier Commission) published its study entitled *Schweizerische Versicherungsgesellschaften im Machtbereich des <Dritten Reichs>* “Swiss Insurance Companies in the Sphere of Influence of the Third Reich” (volume 12 of the UEK’s publications). The report was written by a team of 5 authors and is 970 pages long (including summaries in 4 languages and a number of appendices). The study examines the role of Swiss insurance companies during the Nazi era; it details the activities of all Swiss insurers which had branches and/or subsidiaries in Nazi Germany between 1933 and 1945. This study is subdivided into 4 main parts. Part I outlines the development of the Swiss insurance industry and the general conditions prevailing in Nazi Germany. Entitled “Forcing into Line and Aryanization”, part II deals, among other things, with the pressure to adapt in Nazi Germany, “dejewification” and nazification, the investment policy in the real estate sector, and pogroms from November 1938 on, with all topics focusing on how they relate to the activities of Swiss insurers. Part III investigates foreign exchange and confiscation measures; the main sections of this part analyze the following: life insurance policies as instruments of capital flight, foreign currency insurance policies in the context of foreign exchange measures and Jewish “migration”, confiscation of life insurance benefits, and guaranty bonds of reinsurers. Entitled “War and Market Opportunities”, part IV takes a look at the new markets (“Greater Germany”), services contributing to the war effort (e.g. war risk coverage), and the camouflaging of German insurance holdings in Switzerland.

The study includes several appendixes. One appendix details the insurance sectors and products which played a key role at that time. Another contains nutshell biographies of insurance industry figures who helped shape insurance activities during this period. Comprehensive statis-

tics provide information on premiums, capital investments, asset movements in life insurance, loss ratios, etc. Finally, there are over 70 pages of unpublished references and sources originating for the most part from the archives of Swiss insurers operating in Germany prior to and during the Second World War (some items originate from the SIA’s archives). Volume 12 comes with a separate legal expertise entitled *Die Geschäftstätigkeit der schweizerischen Lebensversicherer im <Dritten Reich>: Rechtliche Aspekte und Judikatur* (“Business Activities of Swiss Life Insurers during the Third Reich: Legal Aspects and Court Rulings”) (UEK publications, volume 19). The UEK publications are published by Verlag Chronos, of Zurich.

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Annual General Meeting

The 71st annual SIA General Meeting was held on 14 June 2001 at the Olma Fairgrounds Conference Center in St. Gallen. The meeting was attended by delegates from 65 of the SIA's 75 member companies, along with guest representatives from federal, cantonal and local authorities, representatives of the Federal Supreme Court and Federal Insurance Court, the heads of the Federal Office for Private Insurance, and representatives of other federal agencies, in addition to guests from friendly trade organizations and various organizations associated with the insurance industry, representatives of the insurance industry, and other guests. The talk given by the SIA Chairman was entitled "Change of Direction in the Oversight of the Insurance Industry?" Guest speaker Federal Councilor Kaspar Villiger, head of the Federal Department of Finance, spoke about "The Necessity of a Sustainable Financial Policy — at the National and International Level". The text of the two speeches can be accessed on the SIA's Website (www.svv.ch).

The ordinary business — approval of the minutes of the previous annual general meeting, 2000/2001 annual report and annual accounts — did not give rise to any debate. Roland Chlapowski, CEO and Member of the Board at Rentenanstalt/Swiss Life, was elected to the SIA's Executive Board, thus succeeding Dr. Manfred Zobl (Rentenanstalt/Swiss Life), who had announced his resignation.

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Membership

In referring to the list of members in the Annex, the reader will note that the Association featured 72 members as of the end of March 2002. Thus, approximately half of the insurance carriers subject to oversight and headquartered in

Switzerland (151 companies as of the end of August 2001 according to the Federal Office for Private Insurance) were organized in the SIA. The drop in the number of SIA members is due to the merger of three members Allianz (Schweiz), Berner and Elvia.

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Executive Board

The Board convened on 4 April 2001, 29/30 August 2001, 8 November 2001 and 16 January 2002 to discuss its business. The practice of convening 4 meetings per year (including a two-day meeting) proved unavoidable in view of the large number and complexity of agenda items to be addressed, with the 5-member Board Committee making emergency decisions in some cases as provided for in article 13 of the SIA's Articles of Association.

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Head Office

The SIA is confronted with a constantly growing quantity of important Association business to be attended to. What is remarkable in this context is the accumulation of questions and problems which are of significance for the members. In conducting an overall assessment the Association decided on 30 August 2001 to implement a new solution at the top of the SIA's professional organization (Head Office and Public Affairs Office). The objective of this is to strengthen the management of the Association and its strategic orientation as well as to enhance the SIA's presence and influence at the national and international level. An individual from outside is being sought for the job. In the future, the current head of the Head Office will concentrate on managing the Economy and Employment Affairs Unit, supplemented by responsibilities in the central units (finance and human resources, IT, organization). The current head of the

Head Office will remain in office until the new manager takes over and then lend a helping hand to the new manager so as to ease the transition phase.

At the beginning of the year the head of the Legal Unit informed the SIA chairman that he would be taking on a new challenge with an SIA member starting on 1 June 2002. Currently an effort is being made to fill this vacancy as quickly and competently as possible.

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Commissions

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 corporate duties — 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. However, during the past few years it has been shown that the composition of the commissions and committees has been subject to substantially more turnover as compared to the past, this undoubtedly being an expression of the more frequent organizational changes within the member companies and the increased mobility of management staff between SIA members. An organization chart of the main specialist bodies (permanent expert commissions) and the Life, Medical/Accident and Loss Committees is included in the appendix. For details on the members of the commissions, refer to the SIA publication entitled "Swiss Insurance Association Bodies", available from the Head Office.

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Negotiations with the Swiss Association of Businessmen (SKV)

There are two agreements between the SIA and the Swiss Association of Businessmen (SKV) pertaining to working conditions in offices and in the field. The provisions contained in these agreements are regarded as recommendations for SIA members and have been in force unchanged since 1 January 1995. Developments since that time and the agreements newly concluded with the banks and wholesalers prompted the Swiss Association of Businessmen to terminate the two agreements effective as of 31 December 2001. The termination of the agreements was coupled with a petition for renegotiations, with the Swiss Association of Businessmen submitting a series of concrete adaptation requests.

Both the Commission for Personnel and Training Matters and the Commission for Field Service and Marketing Matters dealt with this petition. The SIA is generally prepared to enter into negotiations with the Swiss Association of Businessmen. However, the request to conclude a generally applicable collective labor agreement was rejected. In its meeting on 29 August 2001 the SIA Board approved a negotiation mandate. The validity of the two agreements was extended until 30 June 2002 after it proved impossible to find a date for a joint meeting. The first round of talks on the inside staff provisions took place on 5 April 2002.

Swiss Insurance Compensation Office

Kurt Bolli turned over management of the Insurance Compensation Office to his successor Jean-Paul Coquoz as of 1 December 2001. Mr. Bolli had been working for the Compensation Office since 1978, and had been its head since 1982. His work on behalf of the Compensation Office is commendable, not least on account of introducing new IT solutions. The Compensation Office goes about its multi-sided work at very low administrative expense.

Switzerland





International

11

“Bilateral Treaties II”

The Federal Council passed the 7 bilateral treaties between Switzerland and the EU by a clear-cut majority on 21 May 2000. Switzerland ratified the treaties in October of 2000, with all 15 EU member states having ratified the treaties by the end of 2001. The 7 bilateral treaties are expected to go into effect before the end of 2002.

The next round of negotiations (Bilateral Treaties II) has also been initiated. At the end of January 2002, the Federal Council passed the negotiation mandates for the last 3 of a total of 10 proposed areas on which Switzerland and the EU have been seeking to conclude bilateral treaties. These last areas also extend to the subject of services, which includes cross-border insurance transactions among other things.

The SIA issued a position paper on Bilateral Treaties II and submitted it to the State Secretariat for Economic Affairs (seco). The Swiss insurance industry generally approves opening up markets and consolidating economic ties with the EU within the meaning of EU enlargement and linking up with the European single market. The consequence of this would be accepting the *acquis communautaire*, which would be subject to a number of basic conditions. Linking up with the single market would not only lead to adopting European supervisory law, but would also compel existing monopolies in Switzerland to be done away with. Opportunities abound for the Swiss insurance industry in the European pension and providential scheme market, a market still to be deregulated for the most part. By adopting the *acquis communautaire*, a clear-cut agreement would have to be reached to the effect that after joining the single market, the adoption of amended or new EU law by Switzerland would be subject to renewed negotiations.

12

Single insurance market*Action plan for financial services*

In May 1999 the European Commission submitted an action plan with the objective of completing a single European market for financial services. The action plan provides for the adoption of various new directives which are of key significance for the business operations of European private insurers.

The following directives are already in force and have been implemented into national law by the EU member states: Directive on Electronic Commerce, Directive on the Reorganization and Liquidation of Insurance Companies, visitor protection directive (4th Motor Insurance Directive), and Directive on the Solvency Margin of Primary Insurers. Proposals for directives have been submitted by the European Commission for areas such as institutions for occupational retirement provision (IORPs), distance telephone sales of financial services, insurance mediation, and the oversight of financial conglomerates; they are projected to be passed by the Council of Europe and the European Parliament in 2002 or 2003. For more information on this legal instrument, refer to the 2000/01 annual report.

Declaration concerning European contract law

The current discussion on a EU-wide unification of private law in general, and contract law in particular, is of topical importance to the European private insurance industry.

For one thing, debate is being conducted publicly. The European Commission published an official communication on European contract law in the second half of 2001 and subjected it to a consultation procedure by interested parties. The communication primarily addresses the question of whether the national contract law of the EU member states is to be replaced in part

or in whole by European law. To date, the EU has exerted influence on private law by way of ca. 30 directives. However, they merely address individual problems, e.g. the duty of the insurer to provide information prior to an insurance contract being concluded as contained in the 3rd Life and Non-life Insurance Directives. The Commission will publish a summary of the results of the consultation procedure in the course of 2002. Another consultation paper on this issue is expected towards the end of 2002, the paper probably to take the form of a green paper.

Secondly, discussion is taking place in closed sessions of various bodies. Worth mentioning in this context is the Project Group on European Insurance Contract Law, established in 1999. It is comprised of legal experts from EU member states and Switzerland, and deals specifically with the unification of insurance contract law. Currently the project group is taking stock of the legal provisions pertaining to insurance contracts currently in force in the various member states, Switzerland and European Community law. The project group's comparison of these regulations is designed to serve as a basis for the future unification of this law area throughout Europe.

13

Institutions for Occupational Retirement Provision (IORPs)

On 11 October 2000, the EU Commission submitted a proposal for a directive on institutions for occupational retirement provision (so-called IORPs) which is designed to provide an *acquis communautaire* or high level of protection of the rights of future pensioner generations. The directive's scope is intended to cover the oversight of those IORPs which are financed according to the level premium system and which, though legally independent of the "sponsoring undertaking", are employment-related (individual or collective agreement between the employer and employee for the purpose of providing retirement benefits).

The proposed directive was forwarded to the European Parliament in November 2000; the Parliament dealt with it in July of 2001 and presented suggestions for changes. The amended draft directive now has to be approved by a qualified majority of government heads; however, there is considerable resistance in many areas, which is why its passage is being delayed.

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Visitor protection directive

The SIA again signalled its interest in a speedy implementation of the 4th Motor Insurance Directive. Together with the Swiss federal agencies involved, it was assumed that integration in the EU visitor protection system could take place to supplement the existing insurance convention dating back to 1993. Now it has become clear that the present negotiations between the EU and Switzerland are dominated by Bilateral Treaties II. Sectoral negotiations with the EU Commission do not seem possible in this area. Following from this situation, it was decided in the autumn of 2001 to enact the 4th Motor Insurance Directive into Swiss law already in 2002. The associated legislative work is in full swing and is being given in-depth support by SIA representatives. In the process, it is being examined to what extent the provisions of the 5th directive can be incorporated at the same time. The Federal Council issued its report and positional statement on this in April of 2002.

In parallel to internal legislative processes, Switzerland is preparing a unilateral declaration according to which the provisions of the visitor protection directive which would have been enacted into national law are to be capable of being extended to other countries on a reciprocity basis.

21

New President

The CEA had been headed by Peter Eckert (Zürich) since the 1998 general meeting. He went about his office with considerable circumspection and commitment. His diplomatic skills and exceptional communication skills were well respected by delegates of the member national associations. The new president, Gijsbert Swalef from The Netherlands, paid tribute to his endeavors on behalf of the European insurance industry. Being first vice president, Peter Eckert will remain member of the Presidential Council.

22

CEA General Meeting

The one-day General Meeting of the CEA took place in Paris on 12 June 2001. The SIA took part by way of a four-member delegation headed by Hansjörg Frei, SIA Chairman. The meeting agenda started off with the introduction of the new Secretary-General, Daniel G. Schanté, who took office in May 2001. The activity reports given by the commission chairmen met with considerable interest as did the talks given by the two guest speakers. Gérard de la Martinière (AXA) spoke about "International Accounting Standards (IASs) and the Insurance Industry". Othmar Karas, Austrian member of the European Parliament, examined "The Challenges Posed to the European Insurance Industry with Regard to the Single Market". The European Good Practice Guide for Insurance Business on the Internet was adopted on the CEA's recommendation. This guide was distributed to the SIA members via a circular. A considerable amount of time was devoted to discussions of reforming the CEA's method of working. A reform process addressing this was introduced via a resolution passed at the General Meeting in Interlaken (see section 2.3.). The 2000 annual financial statements, the 2001 interim financial statements, and the 2002 budget

were approved. Of the brochures presented at the meeting, European Insurance in Figures met with considerable interest. (The latest issue contains a section entitled "Basic Data 2000/ Complete Data 1999".) A new newsletter was also presented (CEA Executive Update).

The meeting was concluded by Portugal issuing an invitation to the 2002 General Meeting to take place in Lisbon on 21 June 2002.

23

New strategy

The reform process initiated in Interlaken has been continued under the auspices of the new Secretary-General. Two policy framework papers were submitted to the SIA for its comments in the spring of 2001. The principles and recommendations formulated in these papers as the strategy to be pursued were approved by the SIA in its petition submitted on 18 May 2001. However, the assessment of the second paper ("Propositions for Reforming CEA") was much more specific and critical. Serious reservations were expressed on various concrete measures (e.g. weighting of votes, positioning of non-EU members). After evaluating the results of the consultation procedure and subsequent to further discussion in the Presidential Council and among the chairmen of the member national associations, the revised versions of the organization and operation rules and the CEA's articles of association were presented to the CEA members again. At that time a short questionnaire readdressed a number of central issues of the revision. The SIA issued its position paper at the end of February 2002. Among other things, the SIA rejected moving the CEA's headquarters to Brussels and introducing a single language (English). The articles of association and the organization and operation rules are to be put to a vote at the 2002 General Meeting.

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Priorities in the CEA

The new Secretary-General has intensified contacts and collaboration with the head offices of the member national associations. Meetings of the chairmen of the member national associations now take place regularly before meetings of the Presidential Council. These meetings are devoted to in-depth discussion of key topics and the priority of work in the CEA's committees. For the SIA, work in the CEA's committees is of special importance. Work in these committees provides access to various developments within the EU. As a result of these deliberations, the core topics and priorities of the CEA's committee work for 2002/2003 were summarized in a brochure in December of 2001.

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International Association of Insurance Supervisors (IAIS)

The IAIS, in which the SIA has observer status, held its 2001 General Meeting in Bonn, Germany, in September 2001. Owing to the terrorist attacks in New York, many American representatives could not attend, consequently the general meeting was supplemented by the Continued General Meeting, which took place in Tokyo at the beginning of January 2002.

The IAIS adopted five new standard papers in Tokyo. The Principles on Capital Adequacy and Solvency contain 14 principles for determining the solvency of life and non-life insurance companies. These principles also apply to reinsurance companies under certain conditions. The Supervisory Standard on the Evaluation of Reinsurance Cover of Primary Insurers and the Security of Their Reinsurers covers the oversight of the indirect reinsurance industry as it were. This standard is intended to prompt primary insurers to critically examine the quality of their reinsurance coverage and their reinsurers in a structured manner. The other standards address the question of establishing and maintaining an efficient and regular exchange of information between supervisory bodies, in addition to combating money laundering and improving the content and quality of timely public disclosure by insurance companies. All standards are available on line at the IAIS's Website (www.iaisweb.org).

The discussion panels at the general meeting were mainly devoted to issues concerning the implementation of supervisory standards in individual countries and questions pertaining to the oversight of insurance groups and financial conglomerates operating at the international level. It was clearly shown that the oversight of internationally active insurers in day-to-day terms still leaves many individual questions unanswe-

red. It is also unmistakably obvious that the pace in establishing standards in various supervisory law areas is clearly being set by international bodies, and that national supervisory bodies and lawmakers can no longer autonomously implement legislation in their bailiwick without taking international exigencies into account. It has also become obvious that the ability of an individual country to bring its influence to bear in such a complex international environment is limited. Consequently it will be all the more important for the Swiss insurance industry to articulate its interests in close collaboration with the CEA.

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International accounting and solvency issues

With the new regulation dated 13 February 2001, the European Commission proposed a requirement for listed companies to use International Accounting Standards (IASs) by 2005. The individual member states have the option of extending the requirement to unlisted companies and other enterprises. In so doing, a new auditing procedure is being introduced, a two-step process which is designed to lead to the recognition of the individual IASs and the new International Financial Reporting Standards (IFRSs). An endorsement procedure is provided for at the technical and the political level with a view to strengthening the EU's influence on the International Accounting Standards Board (IASB).

All of the work involved in the new accounting standards is based on the idea of creating uniform assessment rules based on fair value, this being in the interest of investors in particular. By contrast, Switzerland's current accounting and reporting law applicable to stock corporations is still dominated by the principle of prudence pursuant to Swiss Contract Law (OR) and lower of cost or market principle pursuant to the Stock Corporation Act, which primarily serves to protect creditors.

The insurance sector is following these new accounting and reporting developments with a certain amount of skepticism. Assessment according to the fair value principle introduces volatility in the financial reporting of the individual insurance companies, this conflicting with the long-term orientation of their business operations. The fair value is closely related to the stock market value, which needn't coincide with a company's net asset value. In addition, it is primarily the asset items which are to be assessed according to their fair value, not the technical liabilities. The result of this is a reporting imbalance. Consequently, the SIA was highly critical in its position expressed in connection with a new consultation procedure pertaining to a new version of a draft bill for financial instrument reporting (Draft Standard and Basis for Conclusions: Financial Instruments and Similar Items).

Fair value accounting also poses the specter of insurance companies being subject to undue influence in their investment strategy as they would cease being oriented towards long-term capital investment and turn their primary focus to short-term fair market values instead. The consequence might be inefficient capital allocation.

In addition to accounting principles, things have also been stirred up with regard to the regulatory requirements applicable to solvency. For some time now a project has been underway in the European Commission to revise the solvency requirements and regulations for the insurance sector (Project Solvency II). Currently basic studies are being conducted at the expert level for developing potential new approaches as to how the requirements applied to the solvency of companies can be regulated in the future. Similar to the banking sector (new equity regulations, Project Basle II), the solvency regulations are to be primarily oriented to the concrete risk exposure of insurance companies.

In a wider context, there is an important study published in November 2001 by the Joint Forum entitled Risk Management, Practices and Regulatory Capital, Cross-Sectoral Comparison (*available at www.iaisweb.org/framesets/inter.html*). The objective of this study was to compare the risk management techniques and equity requirements in the banking, insurance and securities service sectors. The report was written before the backdrop of a continuing convergence between the financial services sectors. The study investigates the differences in the main business segments, differences and things in common in risk management, approaches with regard to equity capital requirements, and the transmission of risk to another financial sector.

According to the Joint Forum's report, the individual banking, insurance and securities service sectors continue to differ substantially. Supervisory law and risk management are also still primarily oriented in keeping with the individual business segments. Despite this, development of sectoral supervisory law and risk management tools will probably continue in the future, with the latter also taking place at the corporate level.

OECD

The OECD currently has 30 members. These countries are based on democracy and a free-market economy, and have achieved a comparatively high level of economic development (“industrialized world”). 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 comes under the OECD’s Directorate for Financial, Fiscal and Enterprise Affairs, is concerned with regulating the private insurance sector in the broadest meaning of the word.

The Insurance Committee conducted a four-day meeting in June and December of 2001. Two days were taken up by plenary deliberations, with one day each being devoted to the Working Party on Private Pensions and the Working Party on Governmental Experts on Insurance Solvency. Switzerland takes part in the deliberations of the Insurance Committee by way of a delegation comprised of representatives of the Federal Office for Private Insurance (who also heads the delegation), the Federal Department of Foreign Affairs (Financial and Economic Affairs Division), and the SIA and a number of SIA members.

The emphasis of the December session of the Insurance Committee was — in the aftermath of 11 September 2001 — the question of the insurability of terrorist damage. Apart from the problem inherent in defining terrorism, there is the central problem of whether governments, too, will have to participate in insurance coverage in the future in view of the enormous loss potential posed. Other points of emphasis on the 2001 agenda of the plenary discussion:

- e-commerce/e-finance
- oversight of reinsurance companies
- private health insurance
- regulation of capital investments
- environmental risks
- continued deregulation of international insurance business
- oversight of financial conglomerates

The Working Party on Private Pensions continues to be extremely active. This working party drafts comparative country reports — also covering non-members —, collects data from all over the world, attempts to formulate uniform basic concepts (“taxonomy”), analyzes the plans of institutions for occupational retirement provision (so-called IORP schemes) in relation to individual voluntary coverage schemes (3rd pillar plans), etc. Old-age pensions — as well as health insurance — are turning into a central challenge of the next few decades to come in view of ongoing demographic changes throughout the industrialized world. Issues associated with accounting and reporting are gaining significance in the Working Party on Governmental Experts on Insurance Solvency, this being not least the consequence of the decline of many stock values in balance sheet total and performance terms.

WTO/GATS

For a long time it was uncertain whether the WTO minister conference scheduled to take place in Doha, Qatar, would actually take place. India, Brazil and allied southern countries had been against a new round of trade talks. Although it was evident already in the early summer of 2001 that these countries would concede, the events in the US in the aftermath of the terrorist attacks on September 11th impacted the chances of talks actually getting off the ground. Despite this the round did take place from 9 to 14 November 2001, with stringent security precautions being taken. The formal admission of China and Taiwan should have far-reaching significance for the trade policy of the future.

As to the agenda of the talks, the European approach of a wide-ranging round of talks gained acceptance for the most part. Instead of broaching new WTO topics, the developing countries would have liked to see their implementation problems with the old agreements resulting from the Uruguay Round of trade negotiations and protection and market access interests take front and center stage. Both blocs were able to finally achieve partial success during the negotiations. Within the framework of the TRIPS accord, the developing countries succeeded in asserting their declaration which confirmed the right to issue compulsory licenses in the event of medical emergencies. On the other hand, the delegations of the EU and the US succeeded in having a final declaration passed in which new topics such as environmental protection issues and anti-dumping rules were included.

The GATS discussions proved the least controversial, i.e. in the negotiations pertaining to the supply of services, to which cross-border insurance services belong. It was resolved that a new round of liberalization talks be conducted which are to take place in the course of this year. In so doing, the individual member states are to voice their liberalization wishes during the first phase. Negotiations are to then be conducted during the second half of the year.

Revenue account

The Swiss National Bank (SNB) has placed the statistics pertaining to the cross-border business of the private insurance sector on a new foundation. Statistics pertaining to international insurance transactions — which are incorporated in the Swiss revenue account in service imports and exports — used to be based on estimates provided by the SIA and the Swiss Office for Private Insurance (BPV). However, since 1999, the SNB has conducted a survey of Swiss insurance companies operating at the international level. The findings of the survey for 1999 and 2000 can be summarized as follows:

	1999	2000
Value of services exported (revenues)	2852	2415
Value of services imported (outlays)	125	125
Balance	2727	2290

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) or 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. The outlay side of the balance of payments on current account (service imports) continues to be estimated by the SNB with regard to the insurance business.

International



A close-up portrait of a man with blonde hair, looking slightly to the right with a subtle smile. The image is overlaid with a semi-transparent yellow filter. The word "Statistics" is written in a black serif font, centered horizontally and positioned in the upper third of the frame. A thin black line extends from the right side of the text, forming a horizontal line that then turns vertically down to the right edge of the image.

Statistics

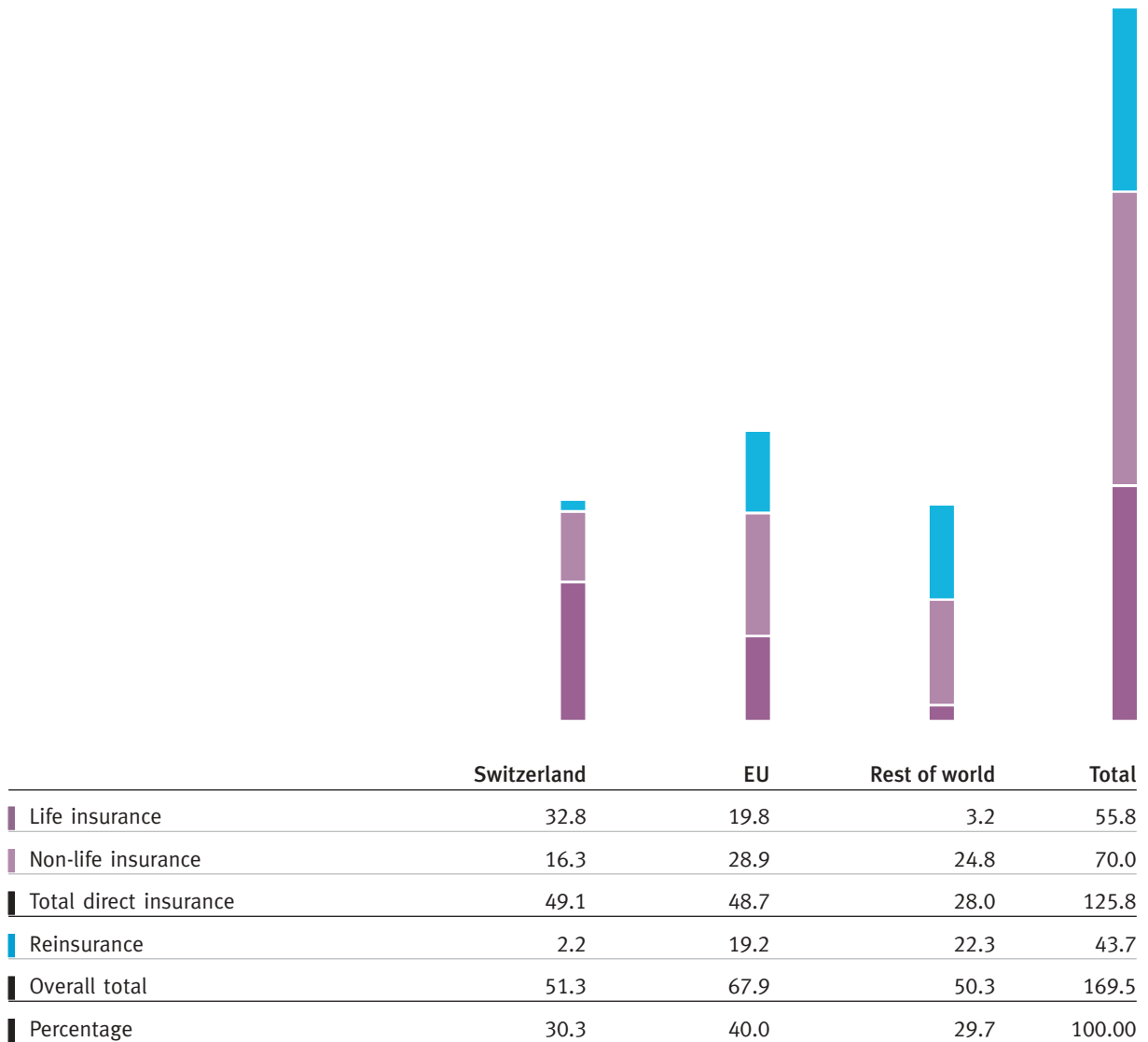
Insurance companies in Switzerland

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Insurance companies in Switzerland (Source: Federal Office for Private Insurance, BPV)

		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
30.9.1997	Switzerland	31	73	27	131
	EU	1	25		26
	Rest of world		2		2
	Total	32	100	27	159
30.9.1998	Switzerland	30	74	28	132
	EU	1	28		29
	Rest of world		3		3
	Total	31	105	28	164
30.9.1999	Switzerland	30	71	32	133
	EU	2	32		34
	Rest of world		3		3
	Total	32	106	32	170
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

Geographical breakdown of total premiums collected by Swiss insurance companies (including subsidiaries) in 2001 – Figures in billion CHF (SIA estimates)



Premiums according to insurance sector, direct Swiss business 1996–2000

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



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Premiums according to main insurance sectors, direct Swiss business 1991–2000

Figures in billion CHF (Source: Federal Office for Private Insurance, BPV)

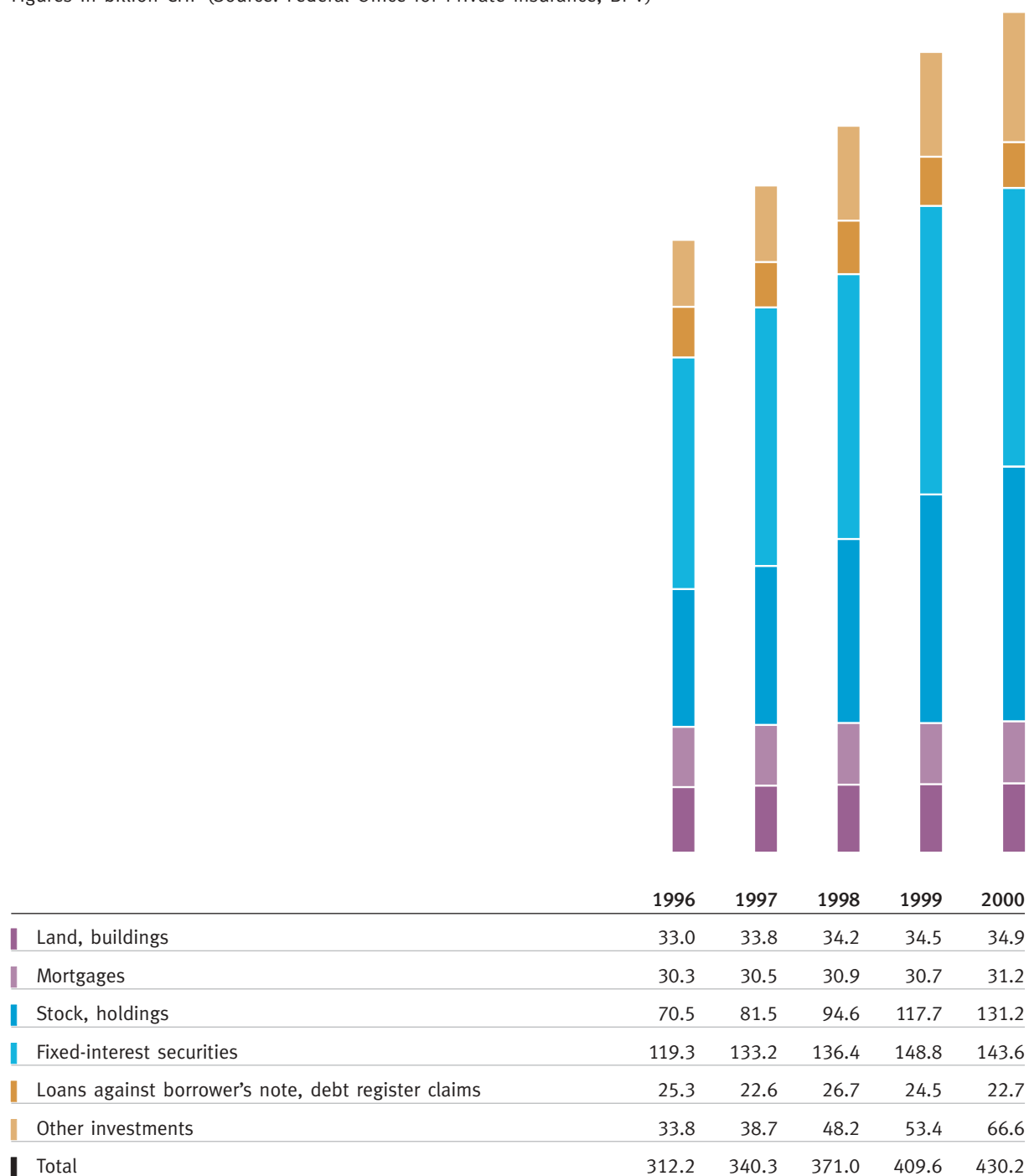


Capital investments

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Capital investments by Swiss life and property insurers and reinsurers 1996–2000 according to investment category

Figures in billion CHF (Source: Federal Office for Private Insurance, BPV)

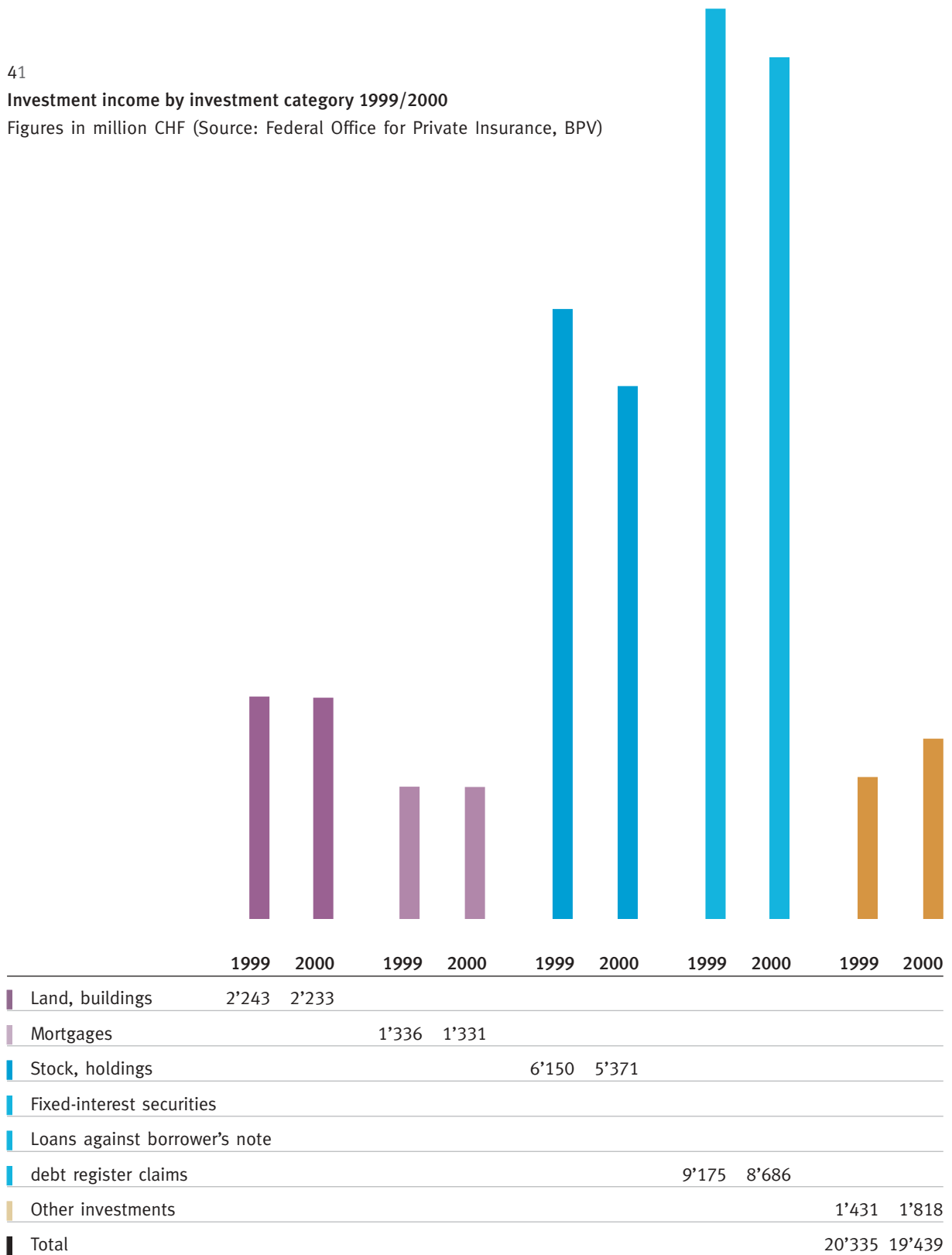


Investment income

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Investment income by investment category 1999/2000

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



International insurance ratios

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Per capita premiums for private insurance – Europe 2000, in US-\$ (Source: Swiss Re)

Switzerland	4153
Great Britain	3759
Netherlands	2290
France	2051
Denmark	1936
Germany	1491
Austria	1313
Italy	1084
Spain	954
Portugal	660
Slovenia	436
Greece	222
Czech Republic	178
Poland	124
Russia	42
Bulgaria	22
Romania	12

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Per capita premiums for private insurance – Overseas 2000, in US-\$ (Source: Swiss Re)

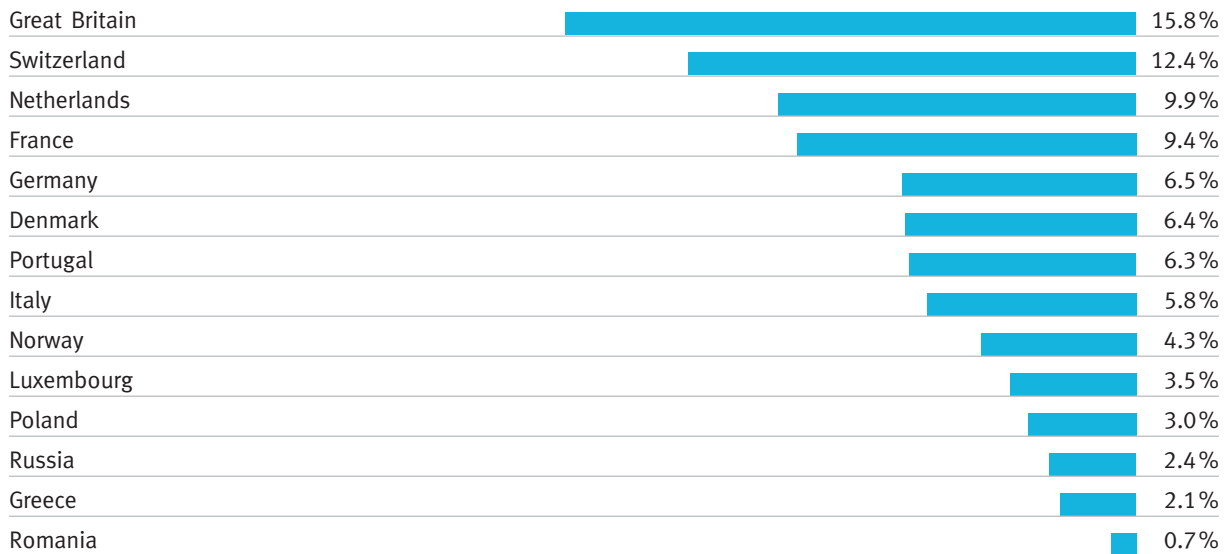
Japan	3973
USA	3152
Australia	1859
Canada	1517
Taiwan	1030
Israel	976
Singapur	966
New Zealand	778
South Africa	472
Argentina	191
Malaysia	151
Mexico	101
People's Republic of China	15
Nigeria	2

6

Insurance penetration

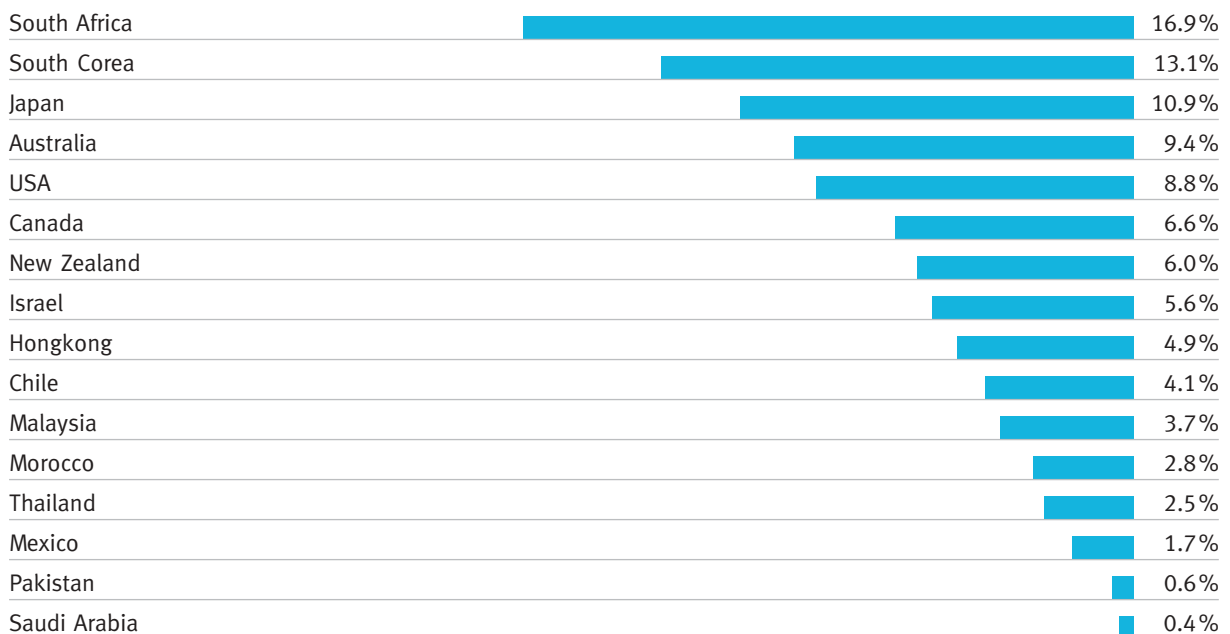
61

Ratio of private insurance premiums to gross domestic product – Europe 2000 (Source: Swiss Re)



62

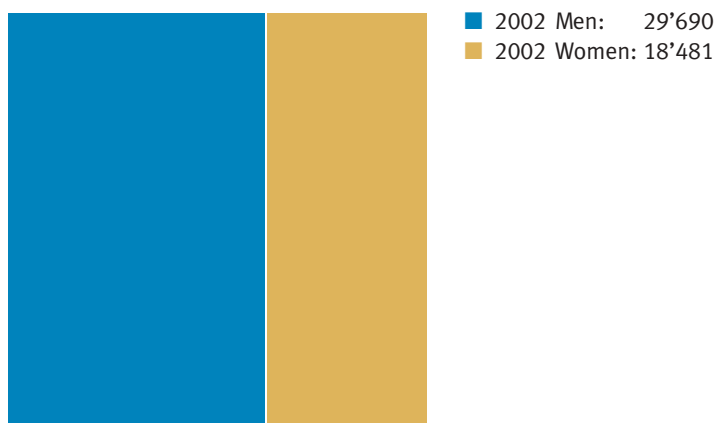
Ratio of private insurance premiums to gross domestic product – Overseas 2000 (Source: Swiss Re)



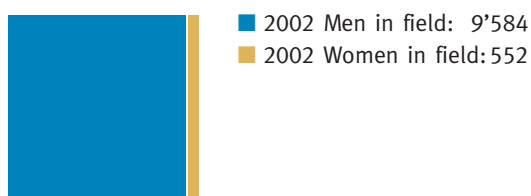
Human resources and training

71

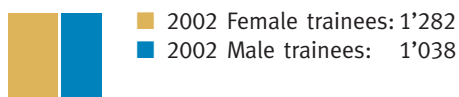
Personnel statistics, Switzerland 1997–2002 (Source: SIA survey of 1 January each year)



	1997	%	1998	%	1999	%	2000	%	2001	%	2002	%
■ Men	30,522	64.2	30,341	63.1	30,741	62.8	30,120	62.9	30,562	61.9	29,690	61.6
■ Women	16,988	35.8	17,769	36.9	18,196	37.2	17,739	37.1	18,804	38.1	18,481	38.4
Total	47,510		48,110		48,937		47,859		49,366		48,171	
Change %	+0.5		+1.3		+1.7		-2.2		+3.1		-2.4	



	1997	%	1998	%	1999	%	2000	%	2001	%	2002	%
■ Men in field	10,140	96.7	9,806	96.6	10,064	96.4	10,012	96.6	9,731	96.6	9,584	94.6
■ Women in field	347	3.3	347	3.4	375	3.6	356	3.4	401	4.0	552	5.4
Total field organization	10,487		10,153		10,439		10,368		10,132		10,136	



	1997	%	1998	%	1999	%	2000	%	2001	%	2002	%
■ Female trainees	1,231	56.2	1,221	57.4	1,217	57.0	1,228	56.4	1,239	56.3	1,282	55.3
■ Male trainees	959	43.8	906	42.6	917	43.0	950	44.6	963	43.7	1,038	44.7
Total female/male trainees	2,190		2,127		2,134		2,178		2,202		2,320	

Statistics

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Personnel statistics abroad, 1997–2002 (Source: SIA survey of 1 January each year)

	1997	1998	1999	2000	2001	2002
Total abroad	68,244	72,844	96,872	98,956	100,218	115,645
Change (%) over previous year	-0.5	+6.7	+33.0	+2.2	+1.3	+15.4

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Swiss Federal Specialist Insurance Examinations (Source: Insurance Industry Vocational Training Association, VBV)

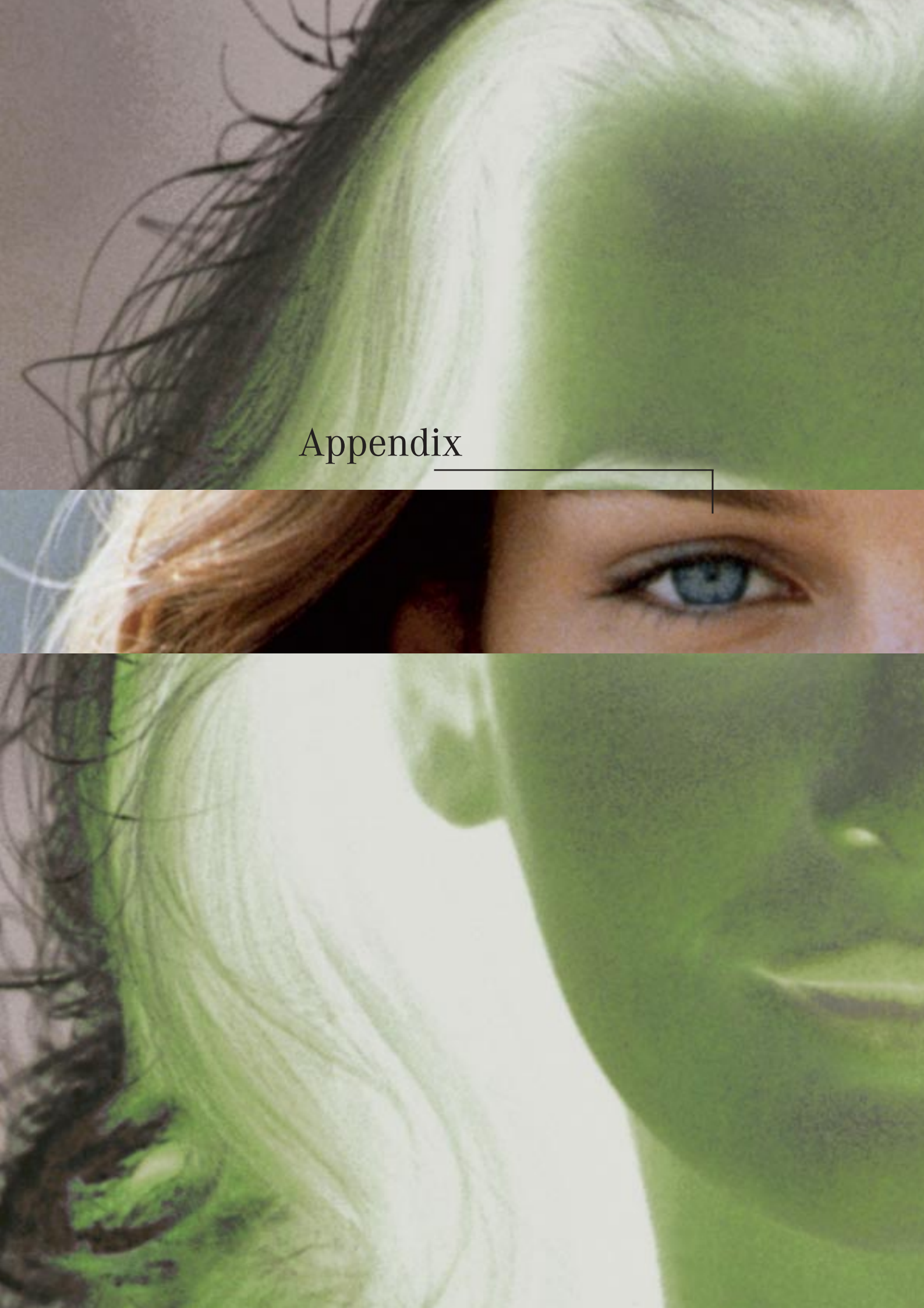
	1996	1997	1998	1999	2000
Diplomas issued	24	13	26	18	9
Certificates issued	219	196	190	214	235

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

(Source: Insurance Industry Vocational Training Association, VBV)

	2000	2001
Insurance Professional Examination Paper	16	47



Appendix

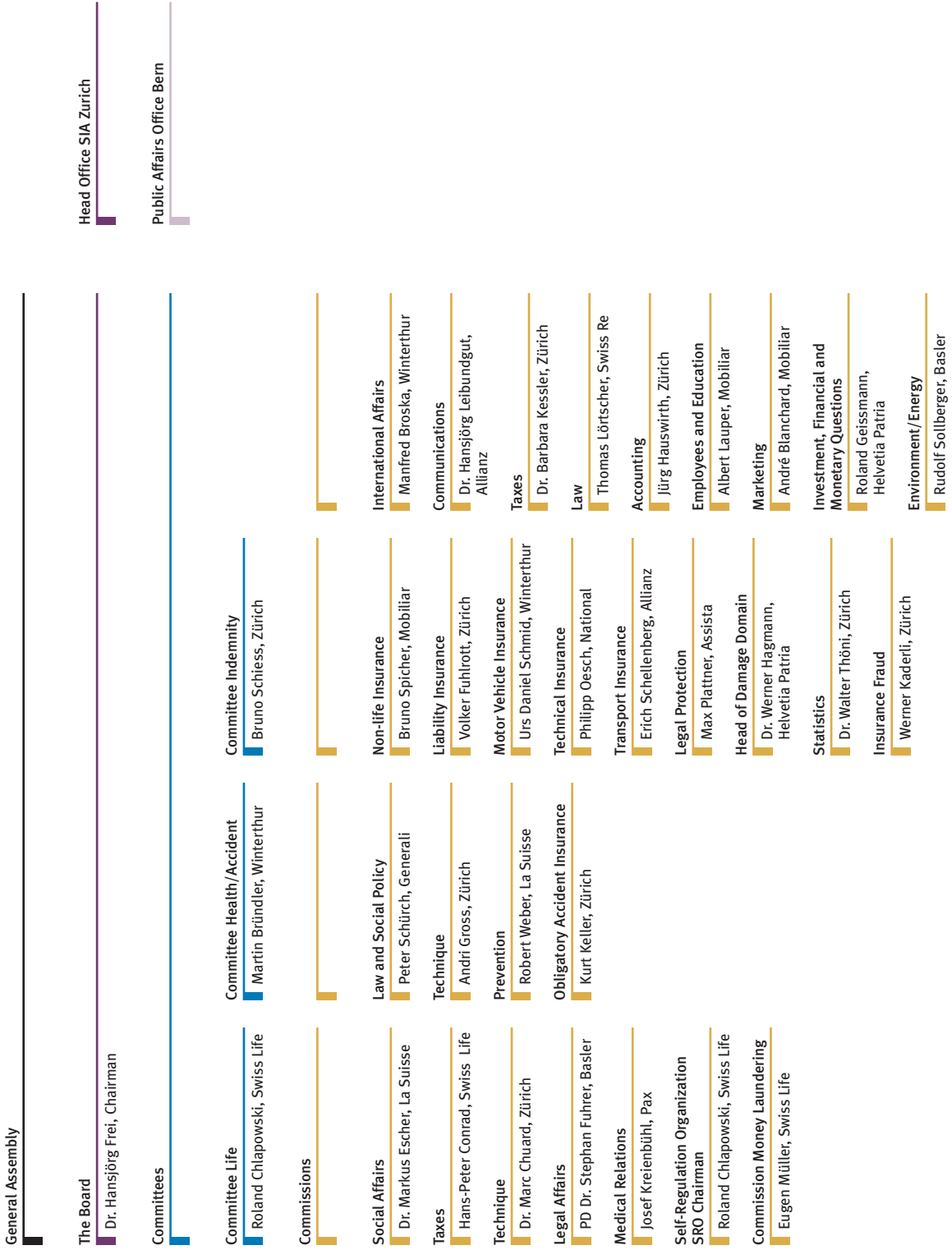
Association bodies

Executive Board	Chairman	Dr. Hansjörg Frei	Winterthur
	Vicepresident	Albert Lauper	Mobiliar
	Members	Dr. Gerd-Uwe Baden	Allianz
		Urs Berger	Basler
		Roland Chlapowski	Swiss Life
		Peter Eckert	Zürich
		Rudolf Kellenberger	Swiss Re
		Rolf Mehr	Vaudoise
		André Vionnet	National
		Erich Walser	Helvetia Patria
		Hans Weber	Pax
		Martin Zellweger	Generali
Life Committee	Chairman	Roland Chlapowski	Swiss Life
	Members	Josef Bättig	Zürich
		Marco Baur	Generali
		Andreas Bucher	Allianz
		Philippe Egger	Basler
		Daniel Greber	Providentia
		Ruedi Hefti	Winterthur
		Prof. Dr. Herbert Lüthy	Swiss Re
		Paul Müller	Helvetia Patria
		Dr. Anton Peter	National
		Jean-Michel Waser	Vaudoise
		Hans Weber	Pax
Medical/Accident Committee	Chairman	Martin Bründler	Winterthur
	Members	Beat Bär	Zürich
		Dr. Peter Blumer	Swiss Re
		Vittorio Gallo	Allianz
		Dr. Rudolf Haberthür	National
		Bruno Kuhn	Mobiliar
		Philippe Limat	Basler
		Charles Relecom	La Suisse
		Jean-C. Visinand	Vaudoise

Appendix

Loss Committee	Chairman	Bruno Schiess	Zürich
	Members	Gerhard Berchtold Dr. Ruedi Kellenberger Rolf Kielholz Alfred Leu Hans-Peter Purtschert Charles Relecom Peter Schmid Hermann Sutter Christian Wegmüller Yves Zaugg	Allianz Basler Alpina Generali National La Suisse Swiss Re Helvetia Patria Mobiliar Vaudoise
Director of the Head Office		Bruno Zeltner	
Board/Chairman		Dr. Guy Bär	
Communication		Margrit Thüler	
Finance/Administration		Bruno Baur	
Head of the Economy and Employment Affairs Unit		Bruno Zeltner	
Head of the Personal Insurance Unit		Dr. Roland A. Müller	
Division Life		Dr. Jörg Kistler	
Division Medical/Accident		Thomas Mattig	
Medical Table		Valeria Baronio	
SIA Medical Director		Dr. Bruno Soltermann	
Head of the Property Insurance Unit		Dr. Max Gretener	
Statistics, Elemental Pool, Legal Protection Insurance		Mathias Berger	
Fight against Insurance Fraud, Motor Vehicle		Urs Siegenthaler	
Head of the Legal Unit		Dr. Jürg Ruf (until may 31 st 2002)	
Liability, Head of Indemnity		Franco Faoro	
Insurance Law		Franziska Streich	
Taxes		Dr. Peter Bischofberger	
Head of Public Affairs		Norbert Hochreutener	
Audit Body		PricewaterhouseCoopers, Zürich	

Organigrams SIA



Head Office SIA Zurich

Public Affairs Office Bern

Appendix

Head Office SIA Zurich

Manager Head Office
Bruno Zeltner

Manager Head Office Domain

Stefania Montefiori
- Assistant

Dr. Guy Bär
- Support Chairman
- Meeting of the Presidency
- Annual Report
- General Assembly

Communications

Margrit Thüli

Heidi Schlaepfer
- Secretary

Simona Cerrato
Ursi Sydlar
Stefan Plozza
- External Communication
- Internal Communication
- Information Service
- Extranet/Internet
- Events
- Publications

Finances /Administration

Bruno Baur

Reingard Wirtlisch
- Finances and Accounts
- Administration/Documentation
- Data Base
- Statistics

Daniela Wagner
- Reception/Mail/Material

Public Affairs Office Bern

Manager Public Affairs Office
Norbert Hochreutener

Karin Rubin
- Secretary

- Political Contacts and Information
- Parliament
- Federal Administration

Sections

Insurance of the Person

PD Dr. Roland A. Müller

Jacqueline Facchini
Beatrice Hummel
- Secretary

PD Dr. Roland A. Müller
- Social Security
- Public Health
- Self-Regulation Organization SRO
- Money Laundering

Thomas Mattig
- Health and Accident Insurance
- Prevention

Dr. Bruno Soltermann
- Medical Director

Valeria Baronio
- Medical Table

Dr. Jörg Kistler
- Life Insurance

Indemnity Insurance

Dr. Max Gretener

Mariuccia Döbeli-Rizzi
Beatrice Hummel
- Secretary

Dr. Max Gretener
- Non-life Insurance
- Elementary Damage Pool
- Association Earthquake

RA Mathias C. Berger
- Liability Insurance
- Statistics
- Elementary Damage Pool
- Association Earthquake

Urs Siegenthaler
- Insurance Fraud
- Motor Vehicle Insurance

Hans Zutter
- Technical Insurance
- Transport Insurance

Economy and Labour

Bruno Zeltner

Stefania Montefiori
Carmen Zinner-Lang
- Secretary

Bruno Zeltner
- Employer Policy
- Education and Extended Training
- Marketing

Dr. Guy Bär
- Economic Issues
- Environment/Energy
- Financial, Investment and Monetary Issues
- Land Policy

Law

Dr. Jürg Ruf (until may 31st 02)

Esther Hirschi
Daniela Wagner
- Secretary

RA Franziska Streich
RA Franco Faoro
- Insurance Law on Supervision
- Rendering of Accounts Reporting
- Insurance Contract Act
- Consumer Protection
- Legal Issues Concerning Insurance
- International Legal Development
- Liability Insurance
- Head of Indemnity

Dr. Peter Bischofberger
- Tax Issues

List of members

AIG Life Insurance Company (Switzerland) Ltd., Breganzona
Alba Allgemeine Versicherungs-Gesellschaft, Basel
Alea Europe AG, Basel
Allianz Suisse Leben AG, Zürich
Allianz Suisse Versicherungen AG, 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, Zug
Chubb Insurance Company of Europe S.A., Zürich
Coop Allgemeine Versicherung AG, Wallisellen
Coop Leben AG, Bottmingen
Coop Rechtsschutz, Aarau
CSS Versicherung AG, Luzern
DAS Protection Juridique SA, Lausanne
Eidgenössische Versicherungs-Aktien-Gesellschaft, Zürich
Emmentalische Mobiliar-Versicherungs-Gesellschaft, Konolfingen
Epona Société mutuelle d'assurance générale des animaux, Lausanne
Europäische Reiseversicherungs AG, Basel
Europäische Rückversicherungsgesellschaft in Zürich, Zürich
Fortuna Rechtsschutz-Versicherungs-Gesellschaft, Thalwil
GAN Incendie Accidents Compagnie française d'assurances et de réassurances incendie, accidents et risques divers, Pully
Garanta (Schweiz) Versicherungs AG, Zürich
Generali Assurances Générales, Genève
Generali Personenversicherungen, Adliswil
Gerling Globale Rückversicherung AG, Zug
Groupe Mutuel Vie GMV SA, Martigny
HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Zürich
Helsana Versicherungen AG, Zürich
Helvetia Schweizerische Versicherungsgesellschaft, St. Gallen
Império SA, Lausanne
Inter Partner Assistance SA, 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

Appendix

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

Schweizerische Hagel-Versicherungs-Gesellschaft, Zürich

Schweizerische Lebensversicherungs- und Rentenanstalt, Zürich

Schweizerische Mobiliar Versicherungsgesellschaft, Bern

Schweizerische National-Versicherungs-Gesellschaft, Basel

Schweizerische National Lebensversicherungs-Gesellschaft, Basel

Schweizerische Rückversicherungs-Gesellschaft, Zürich

Securitas Bremer Allgemeine Versicherungs AG, Zürich

Skandia Leben AG, Zürich

The Northern Assurance Company Ltd., London, Genève

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 Leben, Winterthur

Winterthur Schweizerische Versicherungs-Gesellschaft, Winterthur

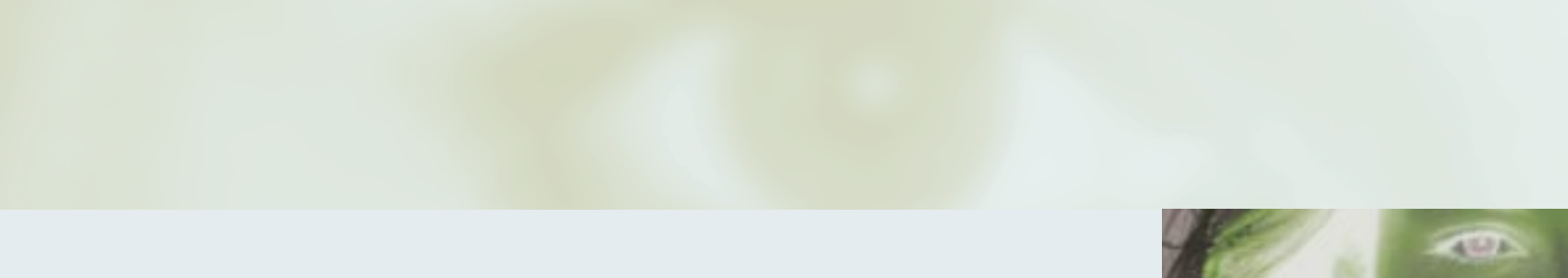
Winterthur-ARAG Rechtsschutzversicherungs-Gesellschaft, Zürich

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

Zürich Lebensversicherungs-Gesellschaft, Zürich

Zürich Versicherungs-Gesellschaft, Zürich

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



ASA | SVV

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