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Swiss Insurance Association

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Exhibit

SIGNALSCHMERZ, SIGNALDOULEUR, SEGNALEDOLORE, SIGNALPAIN, Yverdon-les-Bains, Expo.02

At Expo.02 the Swiss Insurance Association was represented with its SIGNALPAIN pavilion at the Yverdon-les-Bains arteplage. Pain sends a signal. It's an alarm. It's an experience that we seek to avoid. That's why it leads to an awareness of risk and can consequently be viewed as a valuable means of prevention. Being a place of reflection and contemplation, the pavilion offered Expo visitors an opportunity to get in tune with their mind and body.

The Chairman’s eye view

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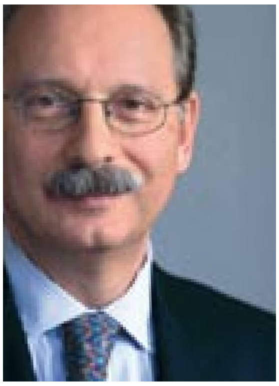


Hansjörg Frei, SIA Chairman

A black year marked by red ink

At the beginning of the third millennium the Swiss insurance industry has been thoroughly shaken, if not cut to the quick. If 2001 was a bad year, 2002 was positively bleak. The continued backward slide of the world's stock markets had a drastic impact on the performance and balance sheets of insurance companies. The life insurers with their high capital investments suffered enormous losses: the report issued by the Federal Office for Private Insurance (FOPI) puts these losses at CHF 300 billion for 2001, albeit excluding foreign subsidiaries. In the process, the amount and the composition of the equity exposure of their investment portfolios, the timing of stock purchases, accounting and reporting provisions, and other circumstances precipitated wildly differing impacts from company to company. The ongoing erosion in interest rates to a level which has rarely been undershot during the last forty years posed an additional burden to the financial results of insurance companies. Irregularities in corporate governance succeeded in tarnishing the image of the private insurance industry. The trust in the soundness and professionalism of the insurance sector on the whole was subjected to a crucial test.

When speaking of the insurance sector in times like these one is apt to say, "Fluctuat nec mergitur," borrowing the motto of Paris: "Storm-tossed though it may be, it doesn't sink." To be sure, many a report in the media led one to believe that the Swiss insurance sector was on the verge of collapsing. One thing can be said for sure: some insurance companies underwent difficult times with respect to their life business. The Expert Commission on Transparency set up by Federal Councilor Ruth Metzler came to the following sobering conclusion in September of 2002: "The financial situation of life insurance companies is not good. Since 2001 solvency has been on the decline." The equity position deteriorated alarmingly in some cases, with one emergency meeting after another being the order of the day on some boardroom floors. The situation has since eased somewhat, among other things as the result of a drastic reduction of stock portfolio holdings and recapitalization measures. The sector has managed to pull its nose up, as clearly expressed at the SIA media conference in January 2003, for example. However, one painful fact remains: 2002 was a "black year marked by red ink", as expressed in the words of some newspapers.

A fundamentally altered financial market environment

Looking back at the last few years of the twentieth century and the first years of the twenty-first century is highly instructive. The nineteen-nineties blessed Swiss insurance companies with a series of record results. The continuous rise in dividend yields was almost taken for granted. Seemingly inexhaustible financial income served to obscure the view of extremely poor underwriting results in some cases. Warning voices were drowned out or reaped condescending smiles before the background of a Swiss Performance Index which tripled between 1990 and 1996, succeeding in increasing by another 120% by 2000. Apart from the possibility of cashing in on tidy gains by selling stock holdings, high bond holdings additionally generated respectable yields. In looking back, it seems as if many a company accorded the finance business too much significance, albeit at the expense of their insurance business, ostensibly their core business. Blinded by the seeming unstoppable upwards trend of the stock market, many companies engaged in risk exposure behavior, which has now proven to be a serious mistake in view of the heavy burden posed. A slightly modified version of the famous quote by Martin Luther comes to mind when speaking of the private insurance industry: "Nothing is as hard to bear as a succession of fair years."

A change of course is underway. Whereas the saying used to be, "Stick to what you do best," it now reads, "Focus on your core business." It's now back to basics, back to one's traditional strengths. All activities are being questioned whose return on investment doesn't satisfy certain basic requirements in a financial environment which has undergone a radical change since mid 2000. Major direct insurers have jettisoned their reinsurance portfolios. Subsidiaries are being sold off in markets which don't hold much promise of growth potential. One-stop financial services – initially viewed skeptically by most during the early nineties, later virtually euphorically embraced – are now soberly being critically examined to gauge their advantages and disadvantages. Certain lines of business are being abandoned by "classic" private insurers (e.g. individual medical insurance) or in staggered fashion by individual companies closing schemes to new members and leaving them to "run off" as a closed block (e.g. occupational pension plans). There is a perceptible effort to concentrate on those business areas which offer justifiable prospects for success as long as they do not entail having to enter into overly high-risk financial commitments.

A renaissance of actuarial principles

The realization now seems to have sunk in that the calculation and application of actuarially "correct" premiums has to be accorded top priority, both in the life and non-life business. As long as finance markets do not provide for substantially improved performance, policyholders are being seduced down the garden path when they are led to believe that benefits can be maintained at the same high level in the long run without having to be adapted, despite a continuous rise in life expectancy. This applies to group insurance, i.e. occupational pension plans, as well as individual insurance. It also comes as no surprise that under the conditions prevailing at present the guaranteed minimum interest rates have to be downwardly adjusted (assuming there is a desire to maintain the system of minimum interest rates). What is frequently overlooked is that private provident schemes are fundamentally different from social insurance: the latter guarantees benefits which can be secured as needed by way of tax increases or a rise in wage stoppage percentages. As concerns non-life insurance, there is no longer any doubt that the combined ratio, i.e. the ratio between costs/loss and premiums, has to be forced down quickly and substantially, as the scissor movement between the expense and revenue side of technical accounts has been worsening. Even though the potential for cost savings has not begun to be fully exhausted, the main focus of adjustments to the combined ratio evidently lies on the premium side.

Will the Swiss private insurance sector realize a turnaround? There hasn't been a sustained improvement in the investment climate, at least not as of this writing (end of Q1 2003); the stock and capital markets remain in a state that is in no way conducive to the health of insurance companies, on the contrary. Another thing has to be considered: the insurance industry has less experience with crisis management as compared to the key sectors of the export industry. It is hardly ready to be quenched and tempered. The extraordinarily rapid turnover – at least in Swiss terms – in management suites which has been observed during the past two years seems to underscore this. It currently remains to be seen how fast the new chairmen of the board, CEOs and management members are able to change tack. Nevertheless: the stage has been set, as pointed out above. The Swiss Insurance Association is confident that its members will soon regain the trust formerly placed in them. This is a decisive prerequisite for returning to the path of success which the Swiss private insurers have pursued for many decades.

As usual, the SIA Annual Report provides a comprehensive overview: legislative developments relevant to the insurance industry, goings-on in individual branches of the insurance industry, the Association's public relations work, the substantial efforts being made in basic and advanced education and training, the latest trends in international insurance law, to name only a few highlights. The reader's attention is drawn to two topics in particular which made considerable demands of the Association during the year under review: oversight of the insurance industry and occupational pension plans.

Congestion in the oversight discussion

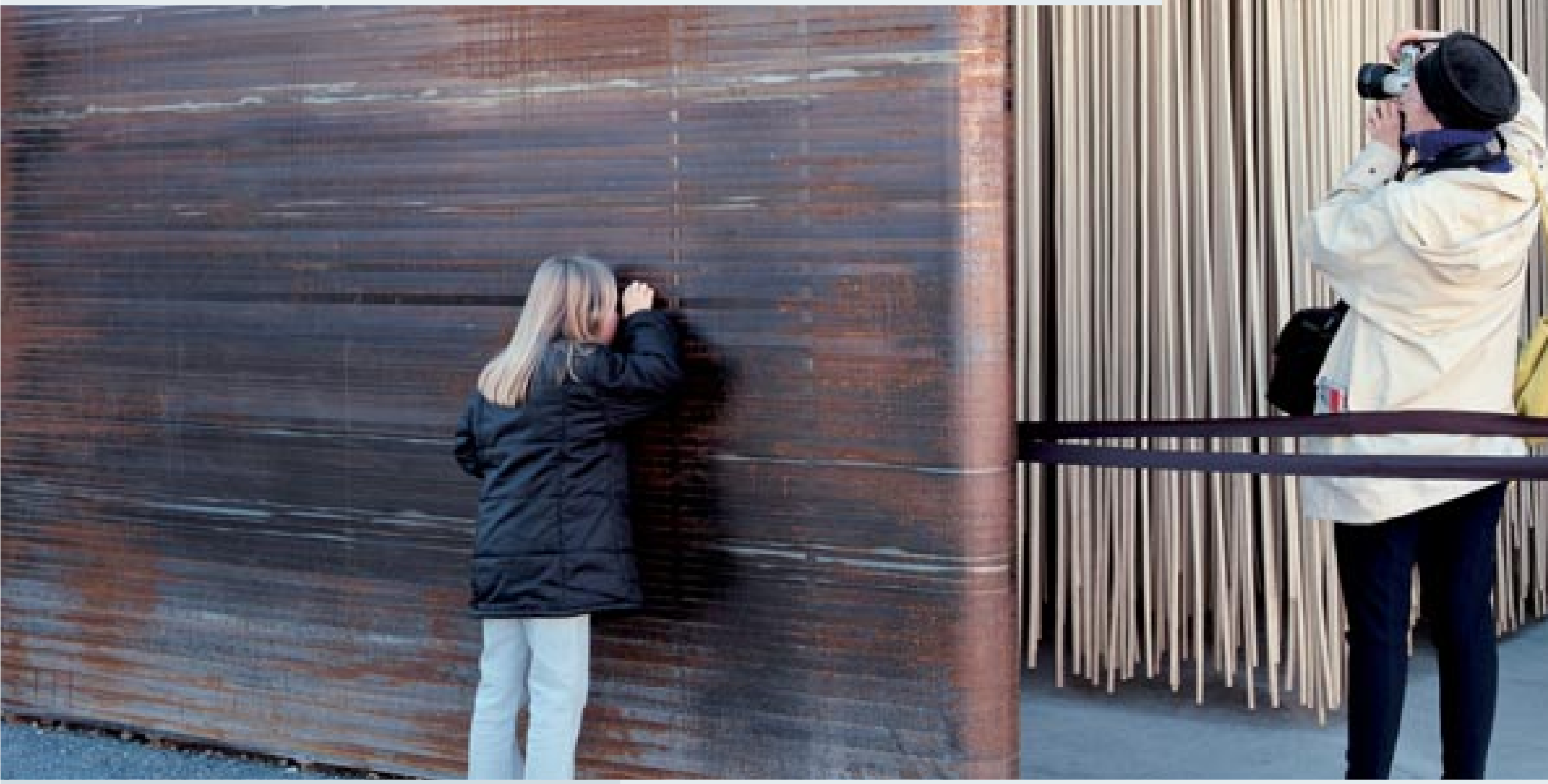
Of central importance is the reform of insurance oversight, which was commenced in 1995. This has proven much more difficult than initially assumed. Over the years new aspects – apart from the actual revision of the Insurance Supervisory Act – have gained in importance, thus increasing further the complexity of the draft bill. This applies to the oversight of financial conglomerates, for example, as the revision project literally attained a completely different dimension when the focus was shifted to integrated oversight of the financial market. Once this is implemented – which is doubted by hardly anyone – it will introduce a classic paradigm change. The discussion was further enriched during the year under review by virtue of the three subreports (life insurance, property insurance/indemnity agreements, reinsurance/captives) issued by the Expert Commission on Transparency following from an assessment of the oversight activities of the Federal Office for Private Insurance (FOPI). This was supplemented by other legislative efforts associated directly or indirectly with oversight of the insurance sector. Examples: the efforts to deregulate premium rate approval requirements in personal insurance, the draft Accounting and Auditing Act, or the revision of the Insurance Contract Act. One might get the impression that a log jam of sorts has developed, causing the government and the insurance industry to be somewhat at sea. The Federal Council's report and positional statement on a financial market oversight law – to which insurance companies would also be subject – should be available in the course of 2004. Thus, a difficult task awaits the members of parliament to be elected in the autumn of 2003 until oversight is placed on a new foundation. The Association will continue to be ready to render assistance by contributing its oversight expertise and working constructively to further this demanding legislative project.

The future of occupational pension plans

Of the well over CHF 53 billion in premiums which private insurers collected in 2002 in the direct Swiss business, an approximate CHF 24 billion is attributable to the group life business. These figures alone underscore the extreme importance of the occupational pension plans offered by the insurance industry. Thus, it comes as no surprise that the first revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) – which made excellent progress during 2002 – riveted the SIA's attention. The report at hand details the conditions which have to be brought about if occupational pension plans are to continue to constitute a solid pillar of Switzerland's triple pillar system. The private insurance sector is prepared to lend a helping hand so that constructive solutions can be found which properly account for economic and demographic changes and satisfy legitimate demands for more transparency.

Hansjörg Frei, SIA Chairman

Switzerland



1.1 Supervisory and contract law

1.1.1 Insurance Supervisory Act

The preliminary work for the revision of the Insurance Supervisory Act was initiated by the Federal Office for Private Insurance (FOPI) in 1995. The Federal Council approved the first draft bill in mid 1998. This was followed by the revision project being shelved. (Please refer to the 1998 annual report for details on this project.) In July 2002, the FOPI subjected a revised version of the Insurance Supervisory Act draft bill to the consultation procedure, the draft essentially containing new oversight provisions pertaining to insurance groups and conglomerates in addition to the modifications suggested in 1998 (e.g. concerning solvency oversight, the responsible actuary, non-insurance business, or the oversight of insurance brokers). The 2001/2002 annual report contains details on the SIA's position on these proposed changes. The SIA is proceeding on the assumption that the Federal Council will issue its report and positional statement on the revised Insurance Supervisory Act in the first half of 2003 so that Parliament can immediately begin with its own work. One of the main difficulties lies in seamlessly integrating the revision of the supervisory law with the efforts to transform oversight of the insurance industry into integrated oversight of the financial market (see section 1.1.2). For current information on this topic, we refer you to the SIA's website (www.svv.ch).

1.1.2 Oversight of the financial market

At the end of 1998, Federal Councilor Kaspar Villiger commissioned a group of experts headed by Prof. Jean-Baptiste Zufferey to look into the challenges posed to the oversight of the Swiss finance market. Published in mid November of 2000, the Zufferey Commission's final report contained a variety of recommendations, including the suggestion – particularly explosive for the insurance sector – that oversight of the insurance and banking industry be merged into a single financial oversight authority. In the autumn of 2001 another expert group, headed by Prof. Ulrich Zimmerli, was set up whose remit lay in giving concrete form to the recommendations made in the Zufferey Report. Prof. Zimmerli submitted an interim report in February of 2003. According to the report, the first step suggested by the Commission is that the Swiss Federal Banking Commission be merged with the Federal Office for Private Insurance under the same roof to form a newly created Swiss financial market oversight authority. As perceived by the Commission, the new authority is to be featured as a public corporation and as such be "hived off" from the Swiss federal government. The second step would involve harmonizing the instruments of the SFBC and the FOPI. The report and positional statement could be forwarded to Parliament in 2004 at the earliest, meaning that any new financial market oversight regime would not be enacted into law before 2006. The next step would involve examining whether financial market oversight should extend to other players (e.g. currency traders or independent asset managers) apart from banks and insurance companies. Already in March of 2003, the Federal Council decided to transfer the Federal Office for Private Insurance (FOPI) from the Federal Department of Justice and Police to the Federal Department of Finance, effective as of 1 July 2003.

The Swiss insurance industry is fully aware of the significance of the proposed reorientation of oversight as it represents a paradigm change. The Association has dealt with this material in depth. The insurance industry is mainly concerned about the following: integrated financial market oversight – i.e. the oversight of banks, insurance companies and possibly other financial service providers by a single financial market authority – has to take the business specifics of the individual providers into account. In the opinion of the insurance industry, performing oversight applying common, uniform rules does not properly take account of the differing needs of the various providers. One example of this is the specifics and varying nature of the asset management, credit and insurance segments. Whereas the essential risks in the banking industry are to be found on the assets side, they are located on the liabilities side in the insurance industry. Apart from the differences specific to the insurance industry, the essential thing here is whether the technical reserves, claims equalization reserves, loss/underwriting reserves, and contingency reserves have been adequately formed, for example. Insurance expertise and knowledge of the associated assessment methods are indispensable if the oversight goal is to be successfully achieved.

Consequently, it would be desirable if largely independent departments are formed which are in charge of the various financial service providers. As to the insurance industry a demand has been made for a relatively autonomous insurance department, the department to be in charge of monitoring insurance companies, groups and finance conglomerates specializing in offering insurance. Cross-sector transactions could be submitted to the department's executive management in order to ensure an integrated approach.

Past experience has shown that taking account of market developments and their impact on the insurance industry is key, for both the insurance industry and the oversight authority. Consequently, a careful examination has to be performed in the future to determine where the risks lie and how to deal with them. The objective should be to depart from static oversight and proceed toward more flexible, dynamic oversight.

In so doing, risk management would also gain in significance for insurance companies. In the future all insurance companies will have to possess instruments for detecting and assessing their risks. Although some companies have already deployed sophisticated internal systems for controlling risk management processes, it is important to have these systems recognized by the oversight authority.

The SIA accepts the proposal to commission an additional external review of oversight audits in analogy to the bank oversight model, however thought would have to be given to the form this model should take for the insurance industry. In the opinion of the insurance companies, there is the danger of the oversight authority “outsourcing” the core business and transferring substantial parts of it to external audit companies. The additional costs incurred by insurance companies as a result would be substantial and have to be financed. Observations at the international level have shown that this dualistic system of oversight is not always recognized, also outside of Switzerland.

1.1.3
Liberalization of personal insurance

In June of 2001, the Federal Office for Private Insurance (FOPI) 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).

This matter was examined internally in numerous SIA working parties, and comments provided to the Federal Office for Private Insurance in response to the consultation procedure. The Federal Office for Private Insurance stated its position on the proposals put forth by the SIA in the summer of 2002, drew corresponding conclusions, and assessed the resulting impact. This was followed by a mixed working group seeking compromise solutions in two areas: maximum technical insurance rate and legal quote.

This matter has been shelved for the time being in view of the ongoing revisions of the Insurance Supervisory Act and Insurance Contract Act.

1.1.4
Insurance Contract Act

Concurrent with the draft for a fully revised supervisory law, the Federal Department of Justice and Police submitted a draft for a partial revision of the Insurance Contract Act to interested groups for their comments in September of 1998. For more information on the content of this partial revision and the SIA's position of 19 January 1999, please refer to the 1998/99 annual report. The Federal Council's report and positional statement, which has been expected for some time now, will be submitted to parliamentary deliberation before the end of 2003. Current information on this topic is available on the SIA's website (www.svv.ch).

In parallel to the current partial revision, there has been discussion for many years now of a full revision of the Insurance Contract Act, which dates back to 1908. The full revision – which was announced some time ago – was officially launched in February of 2003. In response to a motion put forth by the Federal Office for Private Insurance (FOPI), Federal Councilor Ruth Metzler appointed an expert commission headed by Prof. Anton Schnyder to draft a preliminary draft for a full revision of the Insurance Contract Act by 2004. The purpose of the full revision is to address long-standing political concerns, insofar as they have not already been considered in the pending partial revision of the Insurance Contract Act. The SIA will have an opportunity in the course of the summer/autumn of this year to present its position concerning the full revision to the expert commission in a hearing.

1.2
Social security

1.2.1
Federal Old-Age and Surviving Dependants' Insurance Scheme

According to the objectives of the Federal Council, the 11th revision of the Federal Old-age and Surviving Dependants' Pension Scheme (AHV) was to contribute to the financial consolidation of the AHV and offset demographic developments. The package submitted by the Federal Council provides for revenue increases by way of a rise in the VAT rate and savings of CHF 1.26 billion, primarily by raising the retirement age and cutting benefits for widows. According to the Federal Council, this is to be offset by ca. CHF 400 million to cushion the effects of drawing early retirement benefits.

The National Council proceeded differently. Whereas it followed the Federal Council's lead with regard to providing for cushioning to offset the effects of drawing early retirement benefits, it was more generous with regard to widows' benefits. It decided to dispense with a widow's pension only in cases in which the widow did not have any dependent children. In so doing, the savings of the version passed by the National Council were reduced to CHF 570 million.

In approaching the proposed bill, the Council of States returned to the Federal Council's original objective. In contrast to the majority of its predeliberative commission, the Council of States decided in favor of dispensing with a cushion to offset the effects of drawing early retirement benefits and opted instead for an actuarially correct curtailing of benefits. In the event that pension benefits do not suffice subsequent to curtailment, there is always the option of applying for supplemental benefits.

As for widows, the Council of States voted in favor of a new variant. According to this variant, widows with dependent children are in a more favorable position than those without. As long as the children are under the age of 18, widows only receive benefits of 60% (instead of 80%); in exchange children receive benefits of 60% (instead of 40%). Current pension benefits are not to be changed. Starting at age 65, widows are to receive a pension of 80%. Providing for savings of CHF 250 million, this widows' solution is considerably more expensive than that of the Federal Council (savings of CHF 786 million), however it is more favorable than that proposed by the National Council (savings of CHF 120 million). When combined with dispensing with the "cushion" and subjecting daily sickness and accident benefits to compulsory old-age pension contributions, overall savings of CHF 1.3 billion result.

The question remains as to whether the decisions of the Council of States will survive the settlement of differences. In any event, dispensing with the "cushion" is expected to provoke a considerable fight. It can only be hoped that making daily sickness and accident benefits subject to compulsory old-age pension contributions will be eliminated again.

1.2.2
Disability Insurance Scheme

The draft bill pertaining to the 4^{th} revision of the Disability Insurance Scheme (IV) was passed by the Federal Council on 21 February 2001 and dealt with by the National Council as the first chamber in the winter session of 2001. The main thrust of the draft bill was the rehabilitation of the Disability Insurance Scheme by a VAT increase of 1 percentage point starting in 2003 in addition to transferring CHF 1.5 billion from the Income Compensation (EO) fund and introducing an assistance benefit.

The Council of States made very few changes to the content of National Council's version. Although it agreed to the introduction of an assistance benefit, it will retain the term used to date of "helplessness benefit" due to the feared exportability of benefits. In so doing, the proposed benefit will be approximately doubled. In the wake of the settlement of differences it is also clear that the activities of the Disability Insurance Scheme offices will be checked by an external audit body. Federal oversight is to also be stepped up.

During the winter session 2002 the Council of States agreed to the National Council's financing proposal, the Dettling Motion, being defeated, the motion calling for limiting the increase to 0.8 percentage points.

The last differences were resolved by the councils in the March session of 2003.

1.2.3 Federal Occupational Retirement, Survivors' and Disability Pension Plans Act

Last year, occupational pension schemes were the scene of heated debate on the framework conditions. Before the backdrop of a looming bear market and ten-year federal bonds plagued by falling interest rates, the market players saw themselves confronted with an increasingly difficult market situation. The overly high conversion rate and the minimum interest rate of 4% – which was no longer in keeping with market exigencies – posed a considerable burden to provident schemes in general, and life insurance plans in particular, as the latter have to guarantee a one hundred per cent coverage of provident claims at all times.

1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act in the National Council

The National Council deliberated on the 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) in April of 2002. In so doing, it followed its predeliberative Commission on Social Security and Public Health, which adopted the proposals put forth by its own subcommission headed by Christine Egerszegi (FDP National Councilor of the Canton of Argovia). It had completely revised the draft bill submitted by the Federal Council, which provided for a lowering of the conversion rate from a current 7.2% to 6.8% within 10 years and providing compensation by way of higher retirement credit amounts. It developed a model of its own which provided for compensation of the conversion rate decrease by way of introducing a lower threshold for contracting into occupational pension schemes under the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG). In so doing, not only would the insured earned income of members of the compulsory occupational retirement plans be raised, the group of insureds included in occupational retirement plans would have been substantially extended into the bargain, however at the price of considerable additional costs. Other key items of the draft bill put forward by the National Council were the limitation imposed on insurable earned income, the restriction applicable to deductible expenses in surrendered policies, and, above all things, the introduction of transparency provisions.

Transparency

In the National Council, a heated debate developed in connection with lowering the conversion rate in which life insurers were accused en masse of having misappropriated the monies of insureds without any shred of evidence being furnished. The specific bone of contention was the fact that pension fund assets are invested together with the other monies instead of being put in a separate guaranty fund. The debate primarily revolved around the issue as to whether insureds had been credited with sufficiently high with-profits bonuses. Criticism was leveled in particular at the fact that insurance companies had distributed fewer profits than autonomous pension funds. The arguments put forth by the insurance companies fell on deaf ears, the arguments emphasizing that the guarantees granted, the large number of mini-and micro-sized clients served, the lack of a capitalization clause, and the revocability of contracts caused higher costs to be incurred in comparison to autonomous pension funds. The National Council drafted legal provisions governing transparency for maintaining clarity on the appropriation of funds in occupational pension schemes in the future. Although these provisions are addressed to all market players, the debate clearly indicated that the National Council was primarily pointing the finger at life insurance companies. They were being obligated to create full transparency down to the level of an individual pension plan, an infeasible demand in view of the tens of thousands of mini and micro funds.

The insurance industry had a difficult time dealing with the accusations. For one, it recognized that transparency in occupational pension funds could be improved and promised to make every effort to this end. At the same time it rejected in no uncertain terms the notion of “purloined pensions”. It pointed to the difficult situation in which it found itself, the low interest rates which extended back many years coupled with a dramatic fall in value in the world’s stock markets. This not only had caused reserves to quickly melt away, it also caused the supplementary revenues which had been used to pay the with-profits bonuses to disappear.

Minimum interest rate

The deterioration in value in the stock markets and the extremely low yield of first-class bonds – the most important investment vehicle of life insurers – which extends back many years prompted the first petition submitted by the Swiss Insurance Association to the Federal Council already in 1998. In it the Association demanded that the minimum interest rate be lowered to 3 per cent. The situation has since continued to worsen in that interest rates have fallen even more while stock prices have plummeted, so that life insurers have been forced to sell large portions of their stock assets. Since life insurers have to guarantee one hundred per cent coverage of the funds entrusted to them at all times, they were the first ones to be hit by the problem of incorrectly established rates, an overly high conversion rate, and the unattainable minimum interest rate. These problems also impacted pension funds more quickly than expected. Whereas only a small percentage of pension funds were affected by deficient coverage, according to a survey conducted by Complementa at the end of 2001, fifty per cent and more were affected at the end of 2002. This situation prompted discussion in Parliament and the public to be shifted to the security of the second pillar. It became clear that the improperly set rates weren’t a problem of life insurance companies only but rather something which was beginning to threaten the entire pillar.

The Federal Council acted. Right before the 2002 summer break it announced that it would examine the minimum interest rate with a view to lowering it. After consultation by the deliberative Occupational Pensions Commission, in which both sides of industry are represented as are provident groups, the Federal Council decided in favor of a rate of 3.25, effective from 1 January 2003, on the basis of the model computations of the Commission, in so doing opting for a rate which was substantially above the average yield of ten-year federal bonds, as had been demanded as a guideline by the representatives of the pension funds and life insurers, among others. It would soon be apparent that this first step caused the problems to be anything but solved. The Occupational Pensions Commission’s Investment Commission is already now in the process of checking the minimum interest rate with a view to lowering it again at the beginning of next year.

1st revision of the Federal Occupational Retirement, Survivors’ and Disability Pension Plans Act in the Council of States

The Council of States made substantial changes to the National Council’s proposal, not least on account of the considerably worsening situation of many pension funds. In so doing, it ignored the model developed by the National Council for compensating the minimum interest rate being reduced, opting in stead for the variant favored by the Federal Council for cost reasons. As a consequence, it rejected in particular the National Council’s efforts to extend occupational pension coverage by including lower incomes.

The Council of States proved more pragmatic in the transparency issue. It essentially adopted the basic substance of the National Council's idea, however deciding that the principle of proportionality should be retained. Thus, the preconditions have been created enabling transparency to also be implemented at the pension fund level.

The Council of States was more economy-friendly with regard to the issue of contracting into the second pillar, speaking in favor of a substantial simplification of the legal provision previously enacted a short time before. By contrast, the Council of States followed the National Council when it came to reducing the conversion rate to 6.8% over a transitional period of 10 years. This rate is too high already now in view of falling interest rates, particularly when it is considered that the enactment of the revised Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) originally planned for 2003 is being delayed.

Future prospects of the second pillar
The security offered by the second pillar cannot be ensured unless the proper rates are set. In view of the difficult situation with which pension funds are currently faced, the SIA's Life Committee resolved to take stock of the situation in companies offering group insurance plans and to develop possibilities for new policy goals. This work is planned to be completed during the first half of 2003.

1.2.4
Health Insurance Act

The Health Insurance Act is a continuous hot-button issue in Parliament, and that won't change any time in the foreseeable future. During the year under review, intensive work was done on the second partial revision. Already in 2001 the Council of States included in the draft bill the hotly debated repeal of the contractual obligation imposed by health insurers – by which physicians can only invoice their services to those insurance companies with whom they have concluded a contract – and the extension of premium reductions. However, after extensive deliberations the National Council rejected the entire revision package in December of 2002. This was primarily prompted by the hotly debated issue of lifting the contract obligation imposed on physicians in out-patient treatment. This was followed by Parliament immediately commencing with the second revision of this law right from the beginning again.

At the same time the way was paved for the third partial revision at the expert level. The current discussion focuses on the following issues: the contract principle, hospital financing schemes in which hospitals have to deal with only one funding entity, the demand for managed care models, and the extension of deductibles and copayments.

The vote on the health initiative of the Swiss Social Democratic Party will take place in May of 2003. Its aim: a radical paradigm change, i.e. departure from per-capita-based premiums in favor of income-linked premiums. The Swiss People's Party also launched a popular initiative on health insurance. It seeks to further limit the framework of basic insurance coverage, in addition to restricting the free choice of one's health care provider. These measures are intended to enable medical insurance premiums to be cut by up to twenty per cent.

Voting on Assura's referendum against the urgent Federal Law on Hospital Financing was conducted already on 9 February 2003. The point of departure was the landmark decision of the Swiss Federal Insurance Court, according to which the cantons were to be forced to contribute to the financing of the in-patient care of semi-private and private insureds. This was followed by Parliament passing a graduated increase in cantonal payments, which was accepted by a clear-cut majority of the electorate.

1.2.5
Compulsory accident insurance under the Accident Insurance Act

During the year under review, lawmakers were not very active in legislation relating to the Accident Insurance Act. As was the case in previous years, only minor work was completed.

The SIA submitted two revision proposals last year. The one proposal dealt with the creation of a legal basis for charging minimum premiums, the other with decoupling the administrative cost unit rates of private insurance companies from those of the Swiss National Accident Fund (SUVA).

The work of the Swiss Federal Office for Social Security on the new complementary pension solution made very little progress. The working group, in which the SIA is represented, was forced to realize that the system of complementary pensions is extremely complex and that corrections can't be easily made without throwing something off balance on account of the differences in the social insurance sectors to be coordinated.

The implementation of the new article 105 section 5 of the Ordinance Pertaining to Accident Insurance is proving difficult. The original goal was to gather more precise, complete data on wage trends. Among other things, the loss forms for filing claims under the Accident Insurance Act have to be adapted so that accident insurers can capture wages in the future and forward them to the Swiss Federal Statistical Office.

The acceptance of the revised Unemployment Insurance Act enabled the problem concerning the accident insurance of unemployed persons to be defused. The revised version provides for a portion of the accident insurance premium to be assumed by the Unemployment Insurance Compensation Fund, thus providing perceptible relief for the premium payers affected.

Two recently enacted decrees also have implications for the Accident Insurance Act: the Federal Law on General Social Security Law (cf. section 1.2.6) and the Agreement Concerning the Free Movement of Persons between Switzerland and the EU. The latter is based on the "principle of the state of employment", according to which citizens of EU member countries or Switzerland are subject to the legal provisions of the country in whose territory they are working.

1.2.6
Federal Law on General Social Security Law

Following extensive preliminary work, the Federal Law on General Social Security Law (ATSG) entered the statute book on 1 January 2003.

Due to various changes made to individual laws and the introduction of the bilateral treaties, slight adaptations had to be made to the General Social Security Law and some special laws and ordinances had to be amended. In addition, a separate implementing ordinance for the General Social Security Law was enacted.

By introducing a number of changes, the law contributes to the coordination and simplification of the various sets of social insurance regulations. For one thing, all key concepts are defined in a unified manner and a number of general procedures introduced. Otherwise the General Social Security Law also serves as a guideline for future social insurance legislation.

2.1 Tax situation

2.1.1 2001 tax package

The tax package is currently undergoing a settlement of differences in the National Council and Council of States. The Council of States concluded this in the 2003 spring session, however retaining the majority of its previous resolutions. The draft bill has been returned to the National Council.

2.1.1.1 Family taxation

A number of principle issues remained unresolved in family taxation: unmarried couples with children, anchoring splitting in the tax harmonization law, and the extent of the dependent children deduction. The abolition of the deduction for private personal insurance premiums and savings deposits is definitive; in the future, the deduction is restricted to premiums toward (compulsory) medical insurance.

2.1.1.2 Paradigm change in the taxation of owner-occupied residential property

The difference relating to a paradigm change in the taxation of owner-occupied residential property remains, as does the difference relating to building and loan savings: whereas the National Council would like to see the building and loan savings model adopted by the Canton of Basle Country introduced at the national level, the Council of States would like to see a solution for promoting the ownership of owner-occupied residential property regulated within the framework of linked private pensions.

2.1.1.3 Transaction tax on the securities trading of pension funds and life insurers

Pursuant to the resolution passed by both councils, Swiss pension funds and life insurance companies definitively continue to remain subject to transaction tax (transfer stamp duty).

The SIA regrets this purely budget-motivated albeit objectively unjustified decision. Applying the transaction tax to domestic provident administering bodies (pension schemes) is questionable for the investment of vested benefit capital, particularly in the current difficult environment, and represents an unequivocal discrimination of foreign institutional investors.

2.1.1.4 Lowering of the profit tax rate of direct federal taxes for bodies corporate

Lowering the profit tax rate for bodies corporate from 8.5 to 8 per cent for direct federal taxes – a move that Swiss industry has been demanding for a long time as a step toward sustainable tax relief for Swiss corporations and strengthening their competitiveness vis-à-vis foreign companies – remains controversial.

Since the financial sky over Switzerland darkened considerably at the beginning of 2003, the fate of the tax package seems unclear. Although the tax package was originally slated to enter into force in 2004, the Federal Council would like to shelve it. The National Council came out in favor of enacting a portion of the family taxation package already in 2004, however the Council of States would like to postpone the implementation of the entire tax package until 2006.

2.1.2
Corporate Tax Reform II

The Federal Council's report and positional statement on Corporate Tax Reform II was originally scheduled for the summer of 2002. With its motion in the autumn of 2002, the National Council's Economy and Tax Commission (WAK) stepped up pressure and demanded that the Federal Council submit the proposals for Corporate Tax Reform II announced by it to the consultation procedure as soon as possible and present its report and positional statement to the National Council and Council of States in mid 2003. According to the intent of those entering the motion, introducing a capital gains tax on holdings is to be dispensed with in the draft bill. Both councils accepted the motion.

In stating its position the Federal Council abides with its intention of compensating for the tax shortfalls caused by tax relief primarily in favor of SMEs by way of capital gains taxation. It is of the opinion that one-sided dividend relief is questionable not only for tax planning but also for fiscal reasons as the draft reform bill must not generate substantially less tax revenue. After conferring with representatives of industry the Federal Council now intends to submit a draft to the consultation procedure which will achieve a high degree of consensus and is supported above all by the cantons, who also fear substantial tax revenue shortfalls. The Federal Council's report and positional statement is to be based on a study commissioned to investigate the economic impact of the various draft bills proposed. The study – which has been available since mid February of 2003 – comes to the conclusion that the more pronounced the easing of the double economic burden on earnings is the higher the increase in medium- and long-term economic growth, and with it the employment rate. By the same token, its findings also clearly disfavor the introduction of a capital gains tax on holdings as well as a tax relief limited solely to shareholders with controlling interests.

Introducing a "half-income taxation method" as practiced in Germany has been thrown into the discussion since any form of capital gains tax on holdings will meet with resistance on the part of industry, the business community and the political parties, thus hardly standing any chance of coming to pass. This method would enable earnings and capital gains and losses on significant holdings to be attributed to taxable income only in part (e.g. half).

According to estimates of the Swiss Federal Tax Administration, changing to a half-income taxation method for dividends would result in revenue shortfalls of CHF 500 million, however its impact on the Swiss economy would be advantageous. And not only that: dividend-payment-induced distortions associated with the continued existence of the double economic burden would be dispensed with. Finally, corporations would be prompted to distribute more in the way of profits, which in turn would enrich the tax base.

Other variants are being discussed in addition to this proposal: deduction of a "standard dividend", implementing a tax credit model, and introducing a split profit tax rate or partial taxation of the shareholder's dividends. The advantage offered by these proposals is that all shareholders would benefit from a tax relief. At present it is uncertain whether any tax relief measures will be passed and which ones would be favored.

2.1.3

New merger law providing for an advantageous tax environment

Parliament has advanced the efforts on the part of Swiss industry to eliminate the difficulties inherent in Swiss law pertaining to corporate restructuring and the concomitant issue of eliminating tax impediments by one key step, creating a proper section of corporate law pertaining to consolidated companies by virtue of the relief measures passed for the transfer of operations, holdings and fixed assets within company groups. Fortunately the resulting logical steps for taxation have also been taken. One new development is that a company can transfer individual operational fixed assets to other group members tax-free. This will sustainably facilitate restructuring, which up until now had to be dispensed with in most cases on account of these tax impediments. One result of the tax relief measures passed with regard to mergers is that shifting reserves within the company group will now also be possible without incurring stamp duties or withholding tax liability. The only catch is the five-year blocking period applicable to subsequent taxation.

The SIA heartily welcomes the changes to the Merger Act passed as they mark the first step toward dismantling Swiss tax disadvantages. The next logical step would be to create a comprehensive body of law pertaining to the taxation of consolidated companies as is to be found in other countries which permits the offsetting of losses between group members.

2.2

Finance issues

2.2.1

Money laundering/Self-Regulation Organization

Since the terrorist attacks of September 11, the measures taken to prevent and combat money laundering at the international level have been further advanced. These measures extend to the financing of terrorism, as terrorists have been increasingly using standard finance channels for transactions involving illegally acquired assets. The Financial Action Task Force on Money Laundering (FATF) intends to revise its recommendations by mid 2003. The 40 recommendations of June 1996 number among the key regulation instruments. They are an internationally recognized standard for measures which a country must take in order to effectively combat money laundering. The recommendations define minimum requirements in the combating of money laundering and establish measures for conducting transactions with countries which have yet to implement sufficient precautions for countering money laundering. The FATF's current membership numbers 31, including Switzerland.

The negotiations between Switzerland and Liechtenstein pertaining to dealing with the Liechtenstein Law on Professional Due Diligence when Accepting Assets (Due Diligence Law) have not yet been concluded. The substantive money laundering provisions of Liechtenstein, in particular a lower limit for identifying the contracting party, apply in agreements between Swiss insurance agencies and partners domiciled in Liechtenstein. The performance of due diligence duties pursuant to the Due Diligence Law continues to be in accordance with Swiss law.

At the Swiss national government level, the Federal Council issued its report and positional statement concerning the International Convention for the Suppression of the Financing of Terrorism and the International Treaty for Combating Terrorist Bomb Attacks as well as concerning the amendment of the Swiss Penal Code and the adaptation of other federal laws. Switzerland has signed two UN conventions pertaining to the combating of terrorism. By acceding to the two remaining conventions the Swiss government seeks to ensure that Switzerland continues to be unattractive as a financial center for terrorism and the support thereof.

Criminal organizations frequently attempt to invest illegally acquired assets in life insurance policies. The assumption is that policies of this type are used to launder large amounts of money. The SIA's Self-Regulation Organization (SRO-SIA) and its members attentively follow criminal actions in international financial markets. However, developments outside of Switzerland shouldn't be permitted to be adopted by Swiss insurance companies:

- Prior to the entry into force of the penal code provisions pertaining to combating money laundering and prior to the enactment into law of the Money Laundering Act, Swiss life insurance companies took the precaution of initiating effective measures to combat money laundering, extending them by establishing their own self-regulation organization.
- The regular education and training of employees at all levels in combating money laundering is a central concern of all life insurance companies.

Companies possess professional, practice-oriented education and training concepts, or are in the process of developing them. Employees working in operative areas and in the field receive basic training on this upon starting in work for a company. This basic training is continued by way of advanced follow-up modules which serve to heighten employees' awareness of the risks posed to the company's reputation and promote their sense of personal responsibility in combating money laundering.

The reports made to the Money Laundering Reporting Office have increased only marginally: during the year under review, there were nine reports of suspected money laundering. It should be borne in mind that, on the whole, the life insurance business is less suitable than the banking industry for money laundering manipulations. The scope of the proposed transaction is already ascertained when establishing initial contact with the customer. It is clear right from the beginning how high the total of all future premium payments will be. In other words, already upon establishing the business relationship it can be assessed whether an amount is involved which would point to money laundering. It should also be remembered that taking out a life insurance policy is a lot more expensive than opening an account with a bank. It takes quite a bit of time to counsel the customer on his coverage needs, fill out and process the insurance application form, and perform the concluding risk assessment. The ongoing monitoring of the policy and keeping existing customer profiles up to date are done in accordance with the extent of risk involved in the transaction.

Combating organized crime is and remains one of the key concerns of the SIA's Self-Regulation Organization (SRO-SIA) and its member companies. Money laundering is becoming increasingly complex: the degree of care to be exercised in adhering to due diligence obligations is in keeping with the risk involved in the policy. Increased risk required additional clarifications. Computer-aided solutions are practical in supplementing and supporting manual checks. In the last analysis, however, the decisive thing in the success of monitoring policies is not the means employed to this end but rather the effect achieved.

With the SRO-SIA, the life insurance sector has an effective tool for combating money laundering. The commentary on the regulations published during the year under review has proven itself in practice and is kept up to date. It is an invaluable aid for insurance company employees and other members in dealing with their due diligence obligations prescribed by law. The attendance of SRO-SIA-sponsored events on the Money Laundering Act by members of the SIA's Head Office provides a forum for the exchange of information between the various financial intermediaries.

2.2.2
Federal Law on Unclaimed Assets

The preliminary draft bill pertaining to a federal law on unclaimed assets submitted by the Federal Council to a consultation procedure in 2000 met with considerable controversy. In its response to the consultation procedure, the Swiss Insurance Association criticized draft bill for catering too much to the situation of banks.

These comments including those made by the SIA prompted the Federal Council to have the draft bill revised in an expert commission. The commission initiated work on this in the course of September 2002.

2.3
Contract and corporation law

2.3.1
Tenancy and rental law

According to a report entitled "Properties and Buildings" issued by the Federal Office for Private Insurance, in 2001 Swiss life and property insurers and reinsurers had property assets totaling CHF 36 billion. Apart from office buildings and other items, this figure includes more than 100 000 dwelling units owned by insurance companies. The revenues from real estate investments are reported at slightly under CHF 2.3 billion in 2001. 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 significance for the Swiss insurance industry. This is also due to the fact that real estate investments might regain significance in the future owing to unfavorable experience with stock market exposure and lower bond interest rates.

The Swiss Tenants' Association submitted the "Yes to fair rents" popular initiative in 1997. (Please refer to the 1997/1998 annual report for a detailed report on the content of the initiative and the unequivocal rejection on the part of the SIA.) The Federal Council, the National Council and the Council of States rejected the initiative in no uncertain terms. Voting on it will take place on 18 May 2003.

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. There have been regular reports in the SIA's annual reports on the prolonged parliamentary deliberations devoted to this. The Swiss parliament passed the revised tenancy law in its final vote of 13 December 2002. The Landlord and Tenant Association initiated the referendum against the revised draft bill, which seeks to decouple rental prices from mortgage rates and link them to the consumer price index instead, among other things. In the event that the initiative is rejected, voting on the rental law revision in Swiss Contract Law would probably take place in February of 2004. Assuming that a counterproposal were to be submitted by Parliament, the law would probably not enter into force until the beginning of 2005. If, however, the initiative is accepted, another protracted battle to decide the fate of rental law is virtually a foregone conclusion.

2.3.2
Antitrust Act

At the time of writing, the parliamentarian deliberation of the Antitrust Act has not yet been concluded; this matter is currently undergoing a settlement of differences. The treatment of the proposed draft bill by both houses is already indicative of future things to come: the state's evidence provision as practiced in the USA is being introduced. Apart from this change, fines can be imposed without further ado if rate fixing or other collusive agreements are detected or if conspirational acts involving the abuse of market power have been committed, which wasn't possible up to now until a warning had been issued and sanctions threatened. According to the present wording of the draft bill, the upper fine limit for insurance companies amounts to 10% of the gross premium revenues collected during the last three years in Switzerland.

In its positional statement the SIA Head Office pointed to the problems entailed in the legislator's proposed calculation of the fine limit. Basing the fine on gross premium revenues leads to a problematic assessment basis for life insurance companies as policies contain a substantial savings portion. When choosing this wording lawmakers were hardly aware of this circumstance, however recasting this provision has been dispensed with. Their considerations focused on skimming off the profit made by virtue of the restrictive practice, however this is not achievable for life insurance companies via the law's current wording.

2.4
Liability law

2.4.1
Full revision of liability law

This project has been shelved by the Federal Department of Justice for the time being since the consultation period for the experts' draft on a Federal Law for the Unification of Liability Law came to an end at the end of April 2001. The Federal Council will examine the findings of the consultation procedure in the course of 2003 and determine what is to be done next.

2.4.2
Reservoir Liability Pool

The pool continues to operate in the cantons of Valais and Grisons only. A Swiss-wide insurance obligation and, thus, a broadened risk spread has receded into the distant future. The rupture in the pressurized line in the Cleuson-Dixence plant of December 2000 poses an even greater burden to the pool's accounting. According to the information presently available, the damage is due to defects in the vicinity of the weld seams. In-depth investigations are currently being conducted; any recourse options are still open.

A heightened risk awareness and today's market situation will prompt the pool to propose substantially higher premiums in the upcoming renewal negotiations.

2.4.3
Nuclear Pool

Following tendencies observed all over the world, during 2002 terrorist risk was excluded from basic coverage in liability and property insurance and insured by a separate policy. This change came about in close, open cooperation between the nuclear plant operators and the Swiss Federal Office of Energy. There is consequently now a clear-cut situation, yet only one-year policies are being offered despite the effort towards long-term insurance solutions for Swiss nuclear power plants.

In the 2003 March session, the National Council and Council of States passed the new Nuclear Energy Act (KEG) to replace the still valid parts of the Atomic Law of 1959. This will probably be followed by a revision of the Nuclear Energy Liability Act (KHG), with efforts being made to harmonize Swiss law with the Paris Convention on Third Party Liability in the Field of Nuclear Energy. The Nuclear Pool is represented in the predeliberative working group.

The future of nuclear energy is open. In Switzerland, much depends on the outcome of the two atomic initiatives, on which voting will take place on 18 May 2003. Contradictory trends are to be noted in Europe. The USA seems to have returned to banking more on nuclear energy, and new plants are continuously being constructed in Asia.

2.4.4
Medical transplant law

The Federal Council passed the draft Federal Law on the Transplantation of Organ, Tissue and Cell Matter (Transplant Law) along with its report and positional paper on 12 September 2001 and forwarded them to Parliament. In the first quarter of 2003 the National Council Committee on Social Security and Public Health (SGK-NR) dealt with the draft bill and will probably deliberate the draft bill again in the third quarter of 2003.

2.5
Biotechnology

2.5.1
Genetic engineering in legislation

The GenLex legislative project and the proposed changes to law have been discussed in the last three annual reports. After conducting a preliminary vote in June of 2001, the Council of States passed the Federal Law on Non-Human Genetic Engineering on 26 September 2001. The purpose of the law was end-to-end absolute liability for loss or damage incurred in business enterprises or systems as the result of genetically modified organisms (GMOs). Privileges were provided for in healthcare – subject to informed consent –, with liability being channeled to the producer in agriculture.

The SIA developed a liability model of its own in the summer of 2001 for the purpose of creating an appropriate liability situation. It took account of the various risk situations, suggesting that absolute liability be prescribed only in cases in which GMOs create a special risk situation by virtue of their genetically engineered modification: in closed or self-contained systems and in any experiments involving the release of GMOs into the environment. By contrast, genetically engineered products put on the market were made subject to stricter product liability. In addition, it was proposed that liability be channeled to those who are subject to a licensing or permit requirement so as to achieve clarity concerning the group of those potentially subject to liability.

In the National Council’s autumn session of 2002, the unified absolute liability for any involvement with GMO products was rejected and the minority petition supported by the SIA accepted. As a result of channeling liability to the producer or importer (= holder of the license/permit, in contrast to the solution linking liability to involvment with GMO products), risk assessment has become much easier for the insurance industry. The National Council rejected the liability of license/permit holders for application errors in connection with defective products, however it provided for exceptions in agricultural GMO products.

During the settlement of differences which took place in the winter session of 2002, the Council of States took over the liability solution adopted by the National Council. The Council of States supplemented the law by adding a provision stipulating that the liability of individuals subject to licensing and registration extends only to defects caused as the result of genetic modification.

This amendment was approved by the National Council in its 2003 spring session. This was followed by the remaining differences being settled, i.e. the article stating the purpose of the law, the protection of GMO-free production, and the right of consumers and consumer protection organizations to file complaints.

2.5.2
Genetic testing

On 11 September 2002 the Federal Council passed its long-awaited report and positional statement on the Federal Law on the Genetic Testing of Humans: it departed from the draft bill in a number of key areas, the bill having sparked considerable controversy during the consultation procedure, thus necessitating revising it thoroughly one more time. The original bill proceeded from an investigative ban and disclosure ban. Questions by insurance institutions pertaining to any voluntary testing performed were permitted only in certain cases of non-compulsory insurance, providing the scientific value of the examination was proven and the test was approved by the competent federal authority.

The Federal Council's report and positional statement still proceeds on the assumption that insurers may not require genetic testing. They also are not entitled to ask about testing in connection with compulsory insurance. However, they are permitted to ask about testing in connection with voluntary insurance with an insured sum in excess of CHF 400 000 or an annuity of over CHF 40 000, however provided that the testing supplies reliable results and is shown to possess scientific merit.

In an initial statement the SIA said it welcomed the simplification of the draft bill, however it criticized the fact that the threshold amounts above which questioning is allowed were much too high. Otherwise the SIA is of the opinion that including pension benefits in the prohibition extending over and above compulsory occupational pensions would be going too far.

The competent Committee for Science, Education and Culture will commence the deliberation of this matter on 16 May 2003 with an initial hearing. Deliberation is scheduled for the third quarter of 2003.

2.6
Other legal issues

2.6.1
Partial revision of the Federal Law on Data Privacy

In September of 2001, the Swiss Federal Department of Justice and Police submitted the draft bill for the partial revision of the Federal Law on Data Privacy (Privacy Act) to the consultation procedure. The last annual report contained a detailed review of the draft bill and the SIA's comments issued in response to the consultation procedure on 7 January 2002. The Federal Council published the final draft bill including its report and positional statement on 19 February 2003. It is currently not known when the National Council and Council of States will initiate negotiations.

The final draft essentially coincides with the bill subjected to the consultation procedure, the final draft additionally incorporating a provision pertaining to the certification process (data privacy label) as proposed in the consultation procedure.

As a consequence, the SIA's main concerns in connection with the consultation procedure of 7 January 2002 were disregarded. In the course of the coming parliamentary treatment of the draft bill the SIA will continue to promote measures ensuring that the new/amended data privacy regulations be worded so that they provide for sufficient feasibility for the private insurance industry.

2.6.2
Penal Code and Code of Criminal Procedure

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

In view of the enactment of this new article, the draft bill for the Unification of the Swiss Code of Criminal Procedure is also of interest. The last annual report contained a detailed review of this and the preliminary draft bill pertaining to it and the SIA's comments issued in response to the consultation procedure on 12 December 2001. The Federal Council's report and positional statement on this bill is expected in 2004.

2.6.3
Copyright law

According to the copyright law currently in effect, the users of protected works must effect payment of stipulated tariffs to the work's creator. The most well-known tariff is the photocopy tariff, which has been extended until 31 December 2006.

There is currently discussion between the copyright societies (e.g. ProLitteris) and the user associations on the introduction of a new tariff to compensate the loss of income incurred by the author or work's creator in connection with digital copying. 1999 marked the launching of the debate by the copyright societies on the future joint tariff 9. Tariff 9 is designed to address the compensation for the use of protected works in electronic form via in-company networks. The SIA is involved in the negotiations and is contributing its part to ensure that the tariff being economically viable.

2.6.4
Federal Law on the Transparency of Public Administration

In April of 2000, the Swiss Federal Department of Justice and Police submitted a preliminary draft bill pertaining to the Federal Law on the Transparency of Public Administration (Public Record Act) to the consultation procedure. The bill proposes that all official documents generally be made accessible to everyone without any special interest having to be documented. The purpose of this new law is to promote the transparency of government authorities.

The private insurance industry is affected by the proposed bill insofar as it is subject to federal oversight and owing to the fact that government agencies are in possession of many documents on account of the reporting requirement incumbent upon insurance companies and the SIA's Self-Regulation Organization (SRO), documents which would have to be qualified as official within the meaning of the present bill. The SIA voiced its stance on the preliminary draft bill in its positional statement dated 18 August 2000. In it the SIA generally supports the enactment of a public record law, however it essentially criticizes the fact that, according to the draft bill, the private authors of documents – like insurance companies, for example – are excluded from the access procedure for official documents. Consequently, the SIA demands that the respective insurance companies concerned be included in the access grant process when a document they themselves have authored is involved.

The Federal Council issued its report and positional statement on the Federal Law on the Transparency of Public Administration on 12 February 2003, the report incorporating the first summary examination of the SIA's case. It is currently not known when the National Council and Council of States will commence negotiations on this draft bill.

3.1 Life insurance

2001 proved to be an extremely difficult year for Swiss life insurers, however 2002 was to prove even more difficult. In 2001 the SMI declined by approximately 21%, whereas it slid by almost 28% in 2002. This market performance forced life insurers to sell off large quantities of stocks, with some reducing their stock holdings to a very small per cent of their portfolio. This less-than-pleasant situation in international stock markets was accompanied by a drop in the average yield of federal bonds to ca. 2.2% through the end of 2002.

This difficult environment prompted the Federal Office for Private Insurance to conduct a number of audits in brief succession to determine whether the solvency of individual companies was sufficient. In some cases it demanded that companies increase their capital. The reaction of the general public to this situation is reflected in the fact that many openly asked their insurers about the security of the monies entrusted to them.

3.1.1 Individual insurance

Last year, the negative developments in financial markets and the low interest rates were perceptible not only in group insurance but in individual insurance as well. This forced most companies to sharply reduce their with-profits bonuses or dispense with them entirely. Nevertheless, the guaranteed (technical) interest rate of 2.5% still proved to be too high. As a consequence, companies will lower the technical interest rate for new business to 2% in the course of 2003.

Last year, the individual insurance sector reported a premium increase of approximately 5%. This increase is primarily due to the strong growth of single-premium individual endowment policies (+50%). These policies apparently benefited from comparatively attractive conditions before the backdrop of low savings and bond interest rates and uncertainty on the stock market. By contrast, single-premium unit-linked life insurance in particular reported a sharp drop.

3.1.2 Group insurance

The group business of Swiss private insurers suffered considerably last year under the negative market conditions. The occupational pension business ceased turning a profit in 2002 owing two key factors, i.e. the conversion rate and the minimum interest rate, which had not reflected reality for quite some time. This became baldly clear with the withdrawal of two providers from the market. Confronted with unfavorable market conditions, the remaining providers were forced to practice selective risk underwriting.

Whereas the overly high conversion rate is being addressed within the framework of the 1st revision of the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) and being lowered, albeit too slowly, the minimum interest rate still amounted to 4% last year, although life insurers had pointed out the problem of an overly high minimum interest rate already in 1998. This situation sharpened dramatically in the course of 2002 in view of the continuing pronounced fall in stock prices in world markets. In light of the untenable situation before the summer break, the Federal Council was forced to announce a reduction in the minimum interest rate.

This announcement came completely unexpectedly for the general public, making for considerable uncertainty. Various life insurers were at the receiving end of harsh criticism. In government circles and the media they were accused of having been stingy with their dividends in the past and now using the interest rate drop to compensate for investment mistakes. The fact that the Federal Council had never changed the minimum interest rate applicable to plans under the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG) since its enactment was coming back to haunt them. One result of this was that clear-cut criteria for lowering the interest rate were lacking. Although the Occupational Pensions Commission had drafted a catalogue of criteria, it was divided concerning the interest rate to be fixed, with half of the Commission opting for 3.5% and the other half for 3%. In true Swiss fashion, a compromise of 3.25% was reached by the Federal Council, going into effect on 1 January 2003.

When viewed strictly in terms of figures, a premium increase of approximately 5% was attained in group insurance – well above the pay increase rate. One reason for this is that life insurers make guarantees in occupational pension schemes. As a consequence, the affiliated pension plans are guaranteed that retirement financial goals are reached and the cover rate constantly amounts to 100%. There is no reserve liability. In a time when many pension funds are confronted with deficient coverage and some are already having to deal with the issue of financial rehabilitation, the security of pension scheme assets is of the utmost significance.

3.2 Health and accident insurance

3.2.1 General situation

In 2001 the compulsory accident insurance business was positive, continuing the past trend. However, a worse showing is expected for 2002, especially in non-occupational accident insurance. This prospect is due, among other things, to the adjustment of rates.

After many years of stability, social accident insurance might be caught up in some turbulence again. With the analysis on the current accident insurance system commissioned at the end of 2002 the Federal Council is seeking to create the necessary basis for future discussions on this social insurance sector. This was preceded by a resolution passed by the Federal Council enabling the Swiss National Accident Fund (SUVA) to develop additional activities in its core competencies subsequent to the creation of the necessary legal foundations.

Individual health insurance continues to be plagued by the exodus trend from supplemental medical insurance. A turnaround might result from the reform of hospital financing prompted by a ruling handed down by the Federal Insurance Court, a reform designed to provide for a fundamental improvement of the position of supplementary insurance policyholders. Following this ruling the Swiss Conference of the Cantonal Ministers of Health concluded an agreement with santésuisse on the repayment of canton contributions to health insurers. The private insurance sector is also affected by the court's ruling as some companies still offer supplemental medical coverage. However, the Conference did not want to approve a similar agreement with the SIA.

To be sure, private insurers benefit from the Federal Law on Hospital Financing, which governs insureds' claims as from 2002 until the new provisions of the Health Insurance Act go into effect.

Since deregulation, massive competitive pressure in group health insurance has resulted in an extremely low premium level. This dire situation is compounded by the fact that this sector is suffering considerably under the present downturn, this leading to reduced payrolls (and thus to lower premium revenues) and to increased benefit payments. The current year might bring some relief since many companies have reorganized their finances.

3.2.2

Medical Fees and compulsory accident insurance under the Accident Insurance Act

The following projects took front and center stage during the period under review. TarMed – the new medical fee schedule –, the All Patient Diagnosis Related Groups (APDRG), and the Ordinance Pertaining to Cost Accounting and Service/Benefit Reporting by Hospitals and Nursing Homes in Health Insurance (VKL).

New medical fee schedule (TarMed)
For almost 10 years now there have been efforts in medical and accident insurance, to introduce a Swiss-wide unified medical fee schedule whose calculations are based on sound business pricing principles, thus enabling a more just compensation of medical services. The current outpatient fee schedule is outmoded and based in part on "bazaar solutions".

All the impediments to introducing the TarMed fee schedule have finally been overcome: in its meeting on 30 September 2002 the Federal Council approved the fee structure of the new medical fee system. The Medical Fee Commission under the Accident Insurance Act (MTK) and the medical profession (FMH) will introduce TarMed in services and benefits provided under the Accident Insurance Act on 1 May 2003. The new schedule is to be applied in social health insurance starting on 1 January 2004. The private insurers are affected by TarMed to varying degrees, depending on their business (basic health insurance coverage, supplemental insurance, accident/medical insurance).

The Medical Fee Commission has made available TarPoint, an aid for monitoring the medical costs associated with TarMed invoices. TarPoint is a software tool enabling TarMed invoices to be randomly checked. Training was conducted in March/April to facilitate using this new tool.

All Patient Diagnosis Related Groups (APDRGs)
The new APDRG fee system was evaluated last year in the public hospitals in the Canton of Vaud: in-patient treatment is no longer reimbursed according to a per-diem rate, but rather according to a lump-sum case rate dependent on a specific diagnosis.

The new medical fee system reflects more the origin of costs, thus allowing the fees and cost of services of various hospitals to be compared. The main disadvantage posed by it is the higher burden to insurers offering compulsory accident insurance (up until now they had been systematically favored across the board). It has also exhibited some teething troubles, e.g. non-reporting of diagnoses, improper accounting of costs in connection with transfers/readmissions. The Medical Fee Commission intends to gradually introduce APDRG throughout Switzerland. The work in the Canton of Vaud enables important experience and findings to be obtained.

Ordinance Pertaining to Cost Accounting and Service/Benefit Reporting by Hospitals and Nursing Homes in Health Insurance (VKL)
This ordinance entered into force on 1 January 2003. It redefines out-patient, mixed services, and in-patient treatment. Technically speaking, it is applicable only in statutory medical insurance, de facto, however, the full force of its impact is also felt in statutory accident insurance.

One result is that hospital stays of less than 24 hours in length are considered to be in-patient stays as soon as a bed is used. This shift from the out-patient/mixed services area to the in-patient area results in cost increases for compulsory accident insurers with regard to lump-sum case rates and to temporary cost decreases with regard to lump-sum per-diem rates.

3.3
Property insurance

The modest growth in premiums noted in 2001 after an extended stagnation phase gathered considerable momentum in part during the year under review. This is primarily due to developments in fire insurance and fire-induced business interruption insurance. After declining for several years, the fire premiums rose again. This leads to the conclusion that the efforts of companies to counter the previous erosion in premiums are gradually producing results. However, it should be noted that the incidence of loss (i.e. the number of claims and the loss ratio) in property insurance gives no cause for rejoicing by any means. The increase in the incidence of loss is not least also a result of damage resulting from natural disasters and the elements rising again after a below-average 2001.

3.3.1
Swiss-wide earthquake insurance

Following from the fundamental change in the market situation for reinsurance and direct insurance, the competent working group has been forced to reduce the coverage framework originally provided for while developing a model specifically tailored to Switzerland for a nationwide earthquake insurance. This requires making adaptations to all the associated fundamentals, which also includes performing complex recalculations. Consequently, the project is not expected to be completed before 2005.

The objective was and still is to find a joint solution together with the cantonal building insurers. Initial exploratory talks have taken place.

3.3.2
Storm and tempest insurance

Storm and tempest insurance is covered by a separate Federal Council ordinance (Ordinance on Storm and Tempest Insurance of 18 November 1992; SR 961.27) based on article 38a section 4 of the Insurance Supervisory Act. The special feature of this is that insuring buildings and contents and other movable property (i.e. household and personal effects located in buildings) against fire also covers the most common losses caused by natural hazards like flooding, storm, hail, avalanche, and snow pressure in addition to rockfall, earthslip and falling debris. The ordinance also stipulates the extent of coverage, benefit limits, and the calculation of premiums. What is of particular importance with regard to the latter is that, despite the extensive spectrum of risks and the broad range of regional costs of claims, no risk premium is applied but rather a Swiss-wide unified premium rate which forms an integral part of the fire premium rate.

The concept of storm and tempest insurance – with its solidarity of insureds exposed to different risks, a solidarity based a unified premium rate – also presupposes a solidarity of the underwriting insurance companies, who are exposed to different risks as well. The storm and tempest risk varies substantially according to risk group, region and from year to year. By the same token, the burden posed to the portfolios of individual insurance companies varies considerably according to their composition. An equalization of this varying burden and, thus, solidarity among insurers is ensured by the Swiss Storm & Tempest Pool, which is administered by the SIA Head Office. This pool also serves as an instrument for the joint reinsurance of all pool members. Any company engaged in the Swiss fire insurance business can become a member. Membership in the Storm & Tempest Pool is voluntary: in response to the express wish of insurers, the legislator dispensed with making membership obligatory in 1992. The combined market share of pool members is well over 90%.

In detailing the causes of natural loss, the following averages have been noted by the Storm & Tempest Pool for many years now (1971–2001), based on the figures collected by it. At 60.2% of all damage reported, flooding tops the list, followed by windstorm at 19.9%, hail at 9.0%, avalanches at 3.9%, and snow pressure at 2.8%. The other causes combined (rockfall, earthslip and falling debris) only total slightly more 4% of all damage.

3.3.3
Flooding situation in various regions

In view of the circumstance that during the last few years several Swiss regions have been more prone to being hit by storms than others, not only those directly affected and insurers but also the competent cantonal and municipal authorities have been forced to devote more attention to the matter. The main objective of the resulting associated activities has to be minimizing the enormous damage to the economy caused by flooding. Property insurers have been trying to bring about improvements in this area for many years now. Currently one measure involves maintaining risk cards created for the zones most exposed and drafting comprehensive lists of measures in concert with the authorities for the building owners affected, the construction trade, etc.. The important thing is to create an awareness in the public of the necessary preventive and defense measures to be taken (in the interest of everyone).

3.3.4
Constitution article on protection against natural hazards

Following from a number of parliamentary motions, the Federal Department of Economic Affairs is planning to incorporate a new article in the Swiss constitution according to which legislation concerning the protection against natural hazards falls within the province of the federal government. In order to clarify the matter, the SIA was also invited to submit its position in the consultation procedure. The SIA is basically in favor of such a move.

3.3.5
Coverage of terrorism losses

Never before has the Swiss insurance sector been forced to deal more in depth with questions of the insurability of terror risks on Swiss territory and how they impact domestic business as it has since the events of September 11th (cf. SIA annual report of 2001/2002). This is due to its history as Switzerland has relatively seldom been the direct target of terrorists during the past few decades; however, it has been indirectly frequently affected by the fallout of international terrorism due to its integration in the international community.

Situational assessment
The Swiss government analyzed the situation in the wake of September 11th, essentially coming to the following conclusions:
Based on a current analysis of the objectives and modi operandi of terrorist organizations, it is very unlikely that Switzerland and Swiss citizens will become a primary target of terrorist acts. However, in view of the potentials and intensions of terrorist organizations it is possible at any time for Switzerland or its residents to be affected by acts of terrorism. Terrorism and other extremist activities in Switzerland may not only negatively impact domestic security but also indirectly lead to political pressure being exerted on Switzerland by countries who are at direct odds with these organizations. In view of the funding available and shortcomings present it was established that combating terrorism, violent extremism and organized crime should increasingly become a joint task of the community of nations and that it requires a fundamental examination of new forms of cooperation at the federal and cantonal level and with foreign authorities and international organizations. Switzerland is affected by violent extremism of every shade as it doesn't stop at Switzerland's borders. International terrorism has reached a new dimension. Instability and conflicts, even those in remote areas of the world, can impact Switzerland's domestic security. Tension of this type can be carried over onto members of conflict groups residing in Switzerland.

The insurance industry essentially shares the Swiss government's situational assessment. It will use this assessment to develop threat scenarios at the technical level and by employing model calculations make the maximum possible damage caused by terrorist attacks calculable and insurable, insofar as this is possible.

Definition of terrorism
As with the definition of organized crime, the definition of terrorism presents difficulties as both concepts are subject to pronounced political and social change. An exact definition of what terrorism constitutes is of immense importance to the insurance industry as it serves to make this risk describable and delimitable. Delimiting terrorism from war and internal unrest is also important in this context. Currently the following definition of terrorism is mainly observed in the market, the definition essentially following similar wordings used outside of Switzerland: "Terrorism refers to any and all acts or threats of violence for the purpose of furthering political, religious, ethnic or ideological objectives. The act or threat of violence is suitable for inculcating fear or terror in the populace at large or parts thereof or coercing a government or government institution. Terrorism does not extend to internal unrest, the latter referring to acts of violence against individuals or property occurring in connection with mob violence, tumult, or civil commotion and the associated looting."

Changed situation for insurers

September 11th had a major impact on all segments of the Swiss insurance industry, affecting the relationship between the reinsurer and the primary insurer. The fallout was particularly dramatic in aviation insurance, where the extended coverage endorsement against terrorism risks was canceled within an extremely short notice period of seven days, causing the Swiss government itself to briefly become an underwriter and issue a guaranty for Swiss airlines up to a maximum of US$ 2 billion, limited through the end of 2001. Similar phenomena were to be observed in other sectors, but without the government having to intervene and issue guaranties. The market has since settled down, albeit with considerably higher premiums and clear-cut coverage limits. One peculiarity of the Swiss market is currently giving rise to discussion, i.e. the unlimited coverage in motor liability insurance. Unlimited coverage of this type will hardly any longer be offered in liability cases.

There is a growing tendency in many sectors of primary insurers insuring terrorism risks in exchange for an additional premium only, thus excluding terrorism risk from the general coverage. This observation applies to risks present in Switzerland. This is a topical issue especially in the property and building insurance of large risks, as September 11th illustrated in a horrifying manner what enormous losses have to be reckoned with in the future. The individual private consumer will hardly be affected by this market development.

The exclusion of terrorism risks (or inclusion only in exchange for a surcharge premium) in other segments will hardly be noticed due to long-term policies (e.g. in life insurance) or coverage stipulated by law (e.g. in accident and health insurance). In addition, personal insurance is generally more in a position to price in the risk of death or disability caused by terrorism providing this risk is measurable on the basis of mortality and disability statistics.

3.3.6 Swiss Institute of Safety and Security

The Swiss Institute of Safety and Security is a service organization which receives half of its financing from the majority of Switzerland's private property insurers. The contributions of these insurers enable companies to benefit from the services offered by the Institute. Insurers also benefit from the Institute's services as it acts as a link in helping them to keep the technical underwriting capability of their underwriters up to date.

2002 was marked by reorganization of the Institute, which went into effect on 1 January 2003. The new structure is in line with the Institute's mission and strategy which define the Institute's main purpose as preventing and reducing loss, thus benefiting insurers. The new organization enables key market segments to take front and center stage and the Institute's organizational units to focus on their key tasks.

The Risk Information Unit primarily addresses private insurers. Its remit: collect and analyze risk information and make it available to the insurer for its daily work. This unit is closely linked to the Risk Prevention Unit, which focuses on sales-oriented, efficient and effective prevention work in industrial and service enterprises. The Risk Consulting Unit engineers safety solutions for public- and private-sector customers and the process industry. Its expertise and services are development-oriented. The Process Safety Testing Unit focuses on testing for the process industry.

The Institute's reorientation is designed to enable it to maintain and extend its position as a national leading competence center for risk and safety operating at the international level. However, the Institute's focus will remain on benefits to its sponsors and continued improvement of efficiency and cost coverage.

The Institute's executive board, management and ca. 100 staff in the branch offices in Zurich, Basle, Neuenburg and Lugano-Massagno can look back on an altogether successful 2002. The Institute has succeeded again in further improving its own profitability and cost effectiveness, in turn enabling the contribution of primary insurers to be lowered.

3.4
Motor insurance

The continued unsatisfactory technical results of motor liability insurers prompted several companies to upwardly adjust their premium rates for 2002. The latest statistical analyses show that the premium paid on average is still on the decline, contrasted by a continued increase in the incidence of loss. This scissor movement has once more prompted most companies to announce – in some cases substantial – premium increases for 2003. When announcing these adjustments, insurers pointed primarily to the unsatisfactory technical results no longer being offset by financial investment earnings as compared to previous years. To make matters worse, the constant rise in healthcare costs has resulted in personal injury costs already accounting for two thirds of benefit payments, while their proportion amounted to approximately one half of claims payments just a few years ago.

The year under review saw a substantial change with regard to insured sums: for more than 50 years it was not only possible but customary not to merely insure the minimum insured value as prescribed by law but rather to issue policies for unlimited coverage. The primary insurers were able to obtain the corresponding backing from reinsurers for this unlimited coverage. Increasing concentrations of value, a leap in the amount of traffic on the roads, and technology advances have contributed to growing loss trends recently. As a consequence, reinsurers throughout Europe have announced that they are no longer willing to provide unlimited coverage, the knock-on effect being that primary insurers are no longer able to offer unlimited coverage to their customers. This unlimited coverage is being replaced by a new maximum insured sum of CHF 100 million, which is still well over the minimum insured sum prescribed by law of CHF 3 million.

During the year under review, the Motor Insurance Expert Commission (FKM) dealt with a wide variety of projects at the intercorporate level. The emphasis of activities lay in the implementation of the EU's 4^{th} Motor Insurance Directive in Swiss law. Nicknamed the Visitor Protective Directive, this directive enables an injured party involved in an accident abroad to file a claim in their country of residence. Switzerland has accordingly unilaterally adapted its laws and regulations to the EU directive. The next step involves an attempt at the political level to achieve reciprocity with the EU member countries (cf. also section 1.4 International). The commission also continued its efforts to have the current paper insurance card (proof of insurance) replaced by an electronic insurance card. This ambitious project is predicated on the intensive cooperation of all players (private insurers, road traffic authorities, federal government agencies). The general introduction of the new system is currently projected to be possible starting in 2005. The Commission once again dealt with the direct settlement system commonly practiced in some countries. The Commission will continue to actively monitor developments pertaining to this in neighboring countries, however there is currently no need for Switzerland to take action. The Commission also dealt with the Telematics in Road Traffic project. Its actions were based on a preliminary study which did not indicate any need for proactive measures to establish a central emergency number of the motor insurers at this point in time. The project is being contin-

ued with the objective of drawing conclusions on how to proceed further subsequent to an in-depth analysis being conducted in 2003. Lastly, the Commission was charged by the Swiss Federal Roads Authority with investigating the question whether and to what extent the minimum insured sums prescribed by law required adaptation.
A comprehensive report including proposals has been submitted to the Authority. The new provisions pertaining to the minimum insured sums are currently projected to go into effect in 2005 at the earliest.

3.5
Liability insurance

A slight increase in premiums and a drop in the incidence of loss were to be noted in general liability insurance. However, the loss ratios rose sharply. The trend during the last five years is alarming. There is a need for action with regard to new technologies, in medical care, and in many companies. If these trends continue, substantial premium increases will follow.

3.6
Transport insurance

During the year under review, this comparatively small sector produced on the whole favorable results, both with regard to premium revenue and incidence of loss. This is no mean feat when it is considered that this sector is particularly hard hit by predatory competition due to its predominantly international orientation.

Swiss Post at home and abroad
As noted in last year's annual report, the on-going deregulation and restructuring of Swiss postal services has caused the transport insurers and their clientele (including postal service customers) to be confronted with an ongoing need to adapt. Since the summer of 2002 the coordination of the Swiss PTT project management with those in charge of the Transport Expert Commission has been revamped so as to achieve harmonization of joint efforts beneficial to customers. These tasks will keep the Commission busy for some time to come.

Logbook
The Logbook publication of the transport insurers has now become a highly regarded bulletin which is well received in large portions of the transportation industry. This favorable response of the readership has been enhanced by virtue of partial integration in the SIA's website. Plans are to continue development of this publication, possibly including integration in the SIA's extranet.

New joint statistics of transport insurers
The Transport Expert Commission has been working jointly with the SIA's Statistics Commission on the continued development of transport statistics for some time now. One objective was to embed the structure of the previous evaluation in the system and in the overall structure of all other non-life statistics of the SIA. This step was completed as of the end of December 2002.

International Union of Marine Insurers (IUMI)
As usual, all key market players were present at the IUMI conference which took place in New York in September of 2002. The Swiss market was represented at this event with 18 attendees. The meeting was devoted to current topics spanning the entire spectrum of the transport insurance sector. The texts of the individual reports presented can be accessed at the IUMI's website.

We would like to take this opportunity to announce that the IUMI Secretary General is now affiliated with the SIA Head Office.

3.7
Technical insurance

Premium revenues continued to rise in technical insurance, a development primarily attributable to increased market penetration in this sector. There has been an on-the-whole slight improvement in the incidence of loss.

Computer virus and hacker losses
In the course of the composite analysis of IT equipment materials, the Technical Insurance Expert Commission was unavoidedly confronted with the increasing significance of computer crime, which can have unforeseen consequences in view of the global nature of today's networks. Technical advances also progress at breakneck speed in this sector so that the Commission is forced to limit its work to taking stock of the current situation and compiling information of a more general nature. The Commission will continue to have to repeatedly grapple with this topic in the future as well.

Technical insurance primer
The reference book in use to date, Technische Versicherungen ("Technical Insurance"), published by the Insurance Industry Vocational Training Association (VBV), was last published in 1986. The technical developments and deregulation which have taken place in the meantime have resulted in a substantial change in the market situation. Consequently, the competent specialist bodies and the VBV jointly commissioned an experienced expert some time ago to thoroughly revise and update this material.

Currently an editorial committee and the author are working in tandem in subjecting the volume to a final check. Work has progressed to the point that the new primer can be published this year.

International Association of Engineering Insurers (IMIA)
In 2002 the IMIA conference again took place in Switzerland at the invitation of Swiss Re, which hosted it. The leading market players took advantage of this occasion to engage in an in-depth exchange of information and discuss market development from the point of view of technical and economic issues. The content of the talks given can be accessed at the IMIA's website.

3.8
Legal protection insurance

The upward trend in legal protection insurance continued last year. According to SIA estimates, premium revenues in 2002 totaled well over CHF 245 million or 4% more as compared to 2001. 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 account for over 95% of the Swiss market.

The number of specialized legal insurance companies remained virtually unchanged during the year under review. Previsa AG was completely absorbed by CAP-Rechtsschutz, which belongs to the Allianz Group.

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.

Legal protection insurers watched with concern the implementation into law of the new Federal Law on the Freedom of Movement of Attorneys (Attorney Act) in the cantons. The future will show how this development impacts premiums. In implementing the attorney law in the cantons the most important thing is to ensure that the attorney 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.

4
Employment affairs

4.1
Basic and advanced education and training

4.1.1
Insurance Industry Vocational Training Association (VBV)

During the year under review, the executive board of the Insurance Industry Vocational Training Association dealt with two strategic issues: 1) basic education and training, i.e. introduction of the reform of basic commercial education and training in the insurance sector, 2) the VBV's own education and training offerings at the diploma level. In the first area the VBV has been instrumental in molding the process of reform and its implementation at the national level so that a new occupational training program can be introduced in the summer of 2003 which complies with the requirements of the insurance sector for the most part. In the second area, or centralized education and training offerings, the executive board was able to advance its "versicherungsakademie.ch" project. A project team drafted a preliminary study addressed to the Commission for Personnel and Training Matters which details a solution proposal for advanced professional education and training in the insurance sector for the first time. It was this study that motivated the SIA to examine occupational training policy in depth and develop new solutions within the framework of an overall concept for basic and advanced education and training in Switzerland's private insurance industry.

The 8th Swiss Conference of Private Insurance Training and Human Resources Managers (STAPA) took place on 21 January 2003 in Bern. The conference focused on two topics: 1) Comprehensive information was provided on the introduction of the reform of basic commercial education and training in the insurance sector. 2) The Institute for Insurance Economics (I.VW) of the University of St. Gallen presented information on its work within the framework of the overall concept. The guest speaker, Dr. Hans-Jürg Bernet (CEO of Zürich Switzerland), dealt with the future of the insurance industry and the consequences for basic and advanced education and training. In the concluding talk, Matthias Stettler, VBV managing director, also dealt with this problem. The following individuals also took part: Prof. Dr. Walter Ackermann, Executive Director of the Institute for Insurance Economics (I.VW) of the University of St. Gallen; Bernhard Jöhr, member of the Management Board of Basler Versicherung and VBV President from May 2003; and Heinrich Summermatter, deputy chief executive officer of KV Schweiz and Head of Occupational Training.

4.1.2
Advanced education and training: diploma and certificate

The following was offered in the insurance specialist degree program (eidg. dipl. Versicherungsfachexperte or Swiss-Certified Insurance Expert with Federal Diploma): the seminar "Methods and Networking" in the core module and the sector-specific modules "Insurance Marketing" and "Loss/Service Management". These seminars can also be completed without working towards the diploma.

Seeing as the introduction of the redesigned decentralized education and training program already dates back to four years ago, the unit heads decided to conduct a survey for determining the present situation of the partner schools and instructors. The findings showed that improvements to the instruction materials are needed, however those surveyed were otherwise satisfied with the services offered by the VBV in decentralized education and training.

In August the Decentralized Education and Training Unit invited the partner schools of French- and Italian-speaking Switzerland 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.

4.1.3
Learning and Information Media (LIM)

The CBT instruction module "Individual Life Insurance" has been available from the VBV since the beginning of 2003 in exchange for the payment of a license fee. The VBV has made the single-license version of this program available for sale to non-SIA members for the first time. The publisher Verlag SKV is the VBV's sales and marketing partner in this venture.

During the year under review, the VBV working group – who is ensuring the continued development of the Cybertest training and test tool – evaluated the software enhancement needs of companies and commissioned the production of release 3.

4.1.4
Trade literature

Dienstleistungsmarketing – Planung und Gestaltung der Kundenbeziehungen ("Service Marketing – Designing and Managing Customer Relationships") by Richard Kühn and Roger Fasnacht was published during the year under review. This work was also translated into French and Italian. The following VBV book was also published: Notions de base du CC et du CO ("Legal Fundamentals: Swiss Civil Code and Swiss Contract Law – An Introduction") by Peter Schenker et al. Work on the following manuscripts was completed: Grundlagen der Personen- und Sozialversicherung ("Fundamentals of Personal and Social Insurance") and Technische Versicherungen ("Technical Insurance").

4.1.5
Reform of basic commercial education and training

During the year under review the reform process from pilot program to definitive new vocational training program took front and center stage. By being represented on most committees dealing with the reform of basic commercial training, the VBV has succeeded in contributing the experience gained by it in the pilot programs. The Federal Department of Vocational Training and Technology enacted the new training and examination regulations for the commercial management assistant training occupation (incorporating the "B profile" (fundamental education and training program) and "E profile" (extended basic education and training program)) following a comprehensive consultation procedure on 1 January 2003.

The second generation of pilot insurance trainees completed their training in June of 2002. The case-oriented oral examination was conducted on a pilot basis for the first time. The new examination model will be introduced in this form in the current pilot projects starting in 2004, and will achieve validity with the final vocational examination for all insurance program trainees in 2006.

In introducing the new commercial basic education and training program, the VBV developed a communication concept featuring information events and training programs for vocational training instructors, instructors of inter-company courses, and examination experts. Implementation of the program was successfully initiated with the 13 regional information events in August of 2002. A key milestone in the introduction of the new commercial basic education and training program was successfully mastered with the admission of the private insurance industry as an education, training and examination area. The foundation for admission was formed by individual building blocks of the new "Private Insurance" model occupational training program. Following from the new education and training regulations and objectives, the VBV is in the process of drafting the new trainee handbook entitled insurance@work, comprised of an electronic guided learning system and communication support in the Internet. The first building blocks will be available in August of 2003, at the beginning of the trainee year.

4.1.6
Occupational training in Europe

The European Conference of National Insurance Vocational Training Organizations was held in Madrid in November of 2002. One of the main topics was devoted to examinations and other qualification measures. The e-testing solutions in particular met with considerable interest. For Switzerland it was extremely important to benefit from the experiences of other countries so as to benchmark its own e-testing projects. Another main topic dealt with the European certification of financial consultants. The Conference has been dealing with this topic for over a year. Madrid enabled the first step to be successfully taken. The conference was followed by the founding of the European Financial Certification Organisation (EFCO) jointly with the vocational training organizations of the European banking industry, the EFCO consisting of 18 partner organizations from 15 countries. The VBV is represented as a founding member by the Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP). Starting 2003, the EFCO will be offering the following certifications: European Certified Financial Adviser (ECFA) and European Certified Financial Planner (ECFP). Individuals interested in acquiring one of these certificates not only have to successfully complete a national training program but also a unified European module.

During the year under review, the bilateral agreement between the German. Insurance Academy (DVA) and the BVF was applied for the first time. In taking advantage of the procedure for the mutual recognition of specialist insurance credentials, 17 German graduates of the German Insurance Academy (i.e. Versicherungsbetriebswirte DVA) were able to apply for the qualification of Swiss-Certified Insurance Expert with Federal Diploma upon successfully completing the Swiss Insurance Law module.

4.1.7
Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP)

Since 2000 the Swiss Board of Vocational and Advanced Specialist Examinations in Banking, Insurance and Financial Planning (BVF/BAP) – the VBV being one of the BVF's sponsors – has been offering certificate and diploma level examinations in banking, insurance and financial planning. Since the founding of the BVF, the numbers of candidates sitting the modular BVF examination have been on the rise. In the 2002 examination year, approximately 3650 completed the ca. 15 000 module examinations in 51 modules and three languages. It was the first time that all modules could be offered so that the first diploma candidates made application for the diploma in all three specialist areas. 55 new diplomas will be awarded on 23 May 2003.

The highly selective examinations (a minimum of a grade of 4.0 – the second highest grade – has to be attained for all modules) have been shown to frequently cause the advanced training program to be discontinued upon completion of the federal certificate. The 55 new diplomas awarded in 2003 is in stark contrast to the 593 federal certificates issued in 2002. The predominance of the federal certificate as compared to the diploma and financial planning as a specialization is astounding. However, on closer examination it is noted that almost all the graduates of this seemingly fashionable specialist area work for a bank or insurance company. Consequently, de facto the BVF offers 3 specialist areas for people from two sectors.

The past year showed that the BVF is in a constant state of flux. The introduction of a new specialization (banking operations: back office bank workers) and the discussions on offering a certification level below the federal certificate (financial adviser/insurance broker, perhaps also others) demonstrate that the BVF is flexible and able to adapt to changing exigencies. The BVF has proven adept in implementing changes to keep pace with developments in the BVF's three core areas.

The BVF has no intention of standing still.
It intends to continue on the path of success by keeping its offerings up to the minute.

4.1.8
Overall concept for inter-company basic and advanced training

In the summer of 2002, the VBV submitted a preliminary study pertaining to the creation of an insurance academy as an education hub for inter-company education and training. At the same time a project was initiated in Basle with the objective of establishing a Swiss Insurance Institute. It was noted that there was some overlap between the two projects with regard to the target groups and instruction content.

In its April 2002 meeting, the executive board dealt with the education and training landscape in the private insurance sector. The current examination system was found to be on the whole good and practice-oriented. However, gaps were detected between the federal certificate program and the university degree program which have yet to be satisfactorily addressed by the diploma. It was generally established that the deployment of manpower and financial resources has to be optimized in today's environment.

During the year under review, the Commission for Personnel and Training Matters dealt with this topic and motioned to the SIA Board in November of 2002 that the Institute for Insurance Economics (IVW) of the University of St. Gallen I.VW be commissioned with a study on inter-company basic and advanced education and training. The following four elements are to be analyzed in depth within the framework of the overall concept:

- basic and advanced education and training systems, their weaknesses and strengths
- trends in education and training at the national and international level
- requirements, demand structure in basic and advanced education and training measures
- impact on the VBV's education and training policy and presentation of various options

The project management team – comprised of representatives of the Institute for Insurance Economics (IVW) and the SIA – has been at work on this since November of 2002, with the individual steps being taken in close cooperation with the competent commission, the VBV and other interested parties of the SIA's members. The study is to be completed by the end of June 2003, and to be followed by the submission of proposals to the executive board enabling final decisions to be made.

4.1.9
Brochure “Occupations in the Insurance Sector”

At the end of 2002 the SIA published in concert with the Swiss Career Counseling Association (SVB) a brochure entitled “Occupations in the Insurance Sector”. Available from the SIA and SVB, this publication provides an overview of the wide variety of basic and advanced education and training options offered in the Swiss insurance industry. As concerns basic education and training, three commercial vocational training programs are presented: “B profile” or fundamental education and training program; “E profile” or extended basic education and training program, and “M profile” or polytechnic matriculation standard. A wide variety of advanced education and training options are also described. Together with the banks and financial planners, the insurance companies make available a module examination system that enables flexible, work-study programs leading to additional qualifications. Thanks to the high degree of interchangeability of the elements in this system, once someone has completed an occupational training program he can easily pursue other career objectives by completing other modules so as to extend and round off his education and training. The “Occupations in the Insurance Sector” brochure shows what a multifaceted sector the insurance industry is and the multiplicity of development options offered to workers at all levels.

4.2
Regulations pertaining to insurance brokers

4.2.1
Insurance brokers in the EU

The European Council passed the Insurance Mediation Directive on 30 September 2002. The text of the directive was published in the EU’s Official Journal in December of 2002, thus marking the entry of the directive into force. The directive is to be transposed by the Member States by 15 January 2005 at the latest.

The directive covers the admission requirements and practice as an insurance broker and reinsurance broker. It extends to natural persons and bodies corporate offering or concluding insurance and reinsurance contracts in exchange for compensation. The directive does not apply to the employees of insurance companies.

At the heart of the directive is a binding entry in a register combined with an obligation incumbent upon insurance companies to work together only with registered insurance intermediaries. The prerequisites for entry in the register are a good reputation, possession of professional indemnity insurance, and the right credentials. As to professional qualifications, the directive speaks of “general, commercial or professional knowledge and ability”. Despite the resistance on the part of the insurance sector in part, the obligations of insurance intermediaries to provide information to clients are quite broad. The right of consumers and consumer protection organizations to file complaints was also established. The member states are additionally encouraged to establish public or private bodies for the purpose of settling disputes out of court. On the whole, the directive is marked by a substantial expansion of the interests of consumers and their organizations.

4.2.2
Insurance brokers in Switzerland

The regulation of insurance intermediaries has been an issue in Switzerland for a number of years now. Recently there has been criticism in the media of the lack of legal provisions governing this. The revision of the Insurance Supervisory Act (VAG) is designed to close these loopholes. The present draft bill incorporates EU directives in part. Insurance broker licensing is to be coupled with entry in a register, with there being an obligation to comply with certain prerequisites pertaining to credentials and financial security. Entry in the register is to become mandatory for intermediaries/brokers; the intermediaries of a company's own field service "are entitled to have themselves entered in the register". The proposed draft bill also stipulates that the register is to be maintained by the supervisory authorities.

The VBV and SIA's Commission for Field Service and Marketing Matters have repeatedly dealt with this topic. The question being addressed is how the CEA is to deal with the "voluntary" aspect of registration as provided for in the Insurance Supervisory Act (VAG) draft bill. In the process it was established that the positioning and reputation of the field service is an essential element in the image of the insurance industry. Thus, it comes as no surprise that implementing the regulations relating to insurance intermediaries is a suitable means of enhancing the industry's image.

The Field Service Commission motioned that a specific insurance broker qualification be established. Maintaining a high standard of quality in education and training enhances the image of the insurance advisor, while preventing a company's own field service from having to grapple with a competitive disadvantage as compared to brokers. Any certificate to this effect should be tailored to the respective level and characterized by high practical relevance. The VBV has completed a considerable amount of preliminary work for the curriculum and the instruction content in concert with those in charge of training at companies.

In the spring of 2003 the SIA's Board approved the petition submitted to the competent commission. As a consequence, there is consensus that the SIA is assuming a new role in educating, training and examining company field service members, as provided for in the Insurance Supervisory Act (VAG) draft bill.

The Federal Office for Private Insurance (FOPI) has been informed about the proposed steps, expressly welcoming them from the point of view of consumer protection and image building. It was also agreed that the talks on implementing the regulations pertaining to insurance brokers will be stepped up.

4.2.3
Insurance intermediaries in the Canton of Geneva

Approximately five years ago there were attempts being made in the Canton of Geneva to implement regulations pertaining to brokers at the canton level. The SIA succeeded in stopping this initiative. Following the delays in the revision of the Insurance Supervisory Act, plans of this type entered the discussion again at the Cantonal Parliament level in May of 2002. The SIA's position remained unchanged: cantonal regulations or solutions must be avoided. The associated arguments were revised and the Geneva Chamber of General Agents was supported in its actions. In July of 2002 the Legal Commission of the Geneva Grand Council decided to shelve the project for the time being. The decision on how to proceed further will be postponed until the definitive solution for the new Insurance Supervisory Act (VAG) is available. The SIA will monitor further developments.

4.3
Negotiations with the Swiss Commercial Staff Association

In the year under review, negotiations took place with the Swiss Commercial Staff Association after the two agreements pertaining to working conditions in offices and in the field were terminated. The employee demands were examined in depth in the Commission for Personnel and Training Matters and the Commission for Field Service and Marketing Matters. There was general agreement that the agreement text in effect since 1 January 1995 required adaptation in certain points with regard to substance and wording.

The following substance changes were made: provisions pertaining to vacation, maternity leave and premium payment in the non-employment accident insurance. No adaptations were made with regard to working hours provisions. The revised agreements were passed by the SIA Board at the January 2003 meeting. The texts are now available in two brochures – Innen- und Aussendienst ("Office Staff" and "Field Service Staff") – which have been sent to SIA members. Both agreements went into force on 1 January 2003.

On the whole it can be said that the negotiations with the Swiss Commercial Staff Association took place in a constructive atmosphere and that the results are favorable to both sides. The SIA will continue its interest in a strong, reliable spokesman on the employee side in the future.

4.4
Insurance Compensation Office

Co-founded by the SIA and the Swiss Association of General Insurance Agents (SVVG), the Insurance Compensation Office collected in excess of CHF 584 million in contributions during fiscal 2002 for the Old-age and Surviving Dependants'Pension/Disability Insurance Schemes (AHV/IV), Income Compensation (EO), and unemployment insurance. This corresponds to a sector wage volume of approximately CHF 4.5 billion. During the same period, the Compensation Office disbursed CHF 211 million in AHV pensions, CHF 33 million in disability (IV) pension benefits, and CHF 10 million in income compensation benefits. As of the end of 2002, the Compensation Office registered 10 545 AHV pensioners and 2112 disability (IV) pensioners.

Compared with the years preceding, the contribution revenues and benefits continued to rise. The wage volume of the private insurance sector increased by ca. 3.3% in 2002.

The 9 workers of the Compensation Office also administer 3 funds for family allowances in the insurance sector (the cantons of Bern, Lucerne, Thurgovia).

The Compensation Office was confronted with various social insurance changes during the year under review: the bilateral treaties with the EU went into effect on 1 June 2002; the Federal Law on General Social Security Law (ATSG) entered the statute book on 1 January 2003.

Work was continued in 2002 on the three studies on chronicity subsequent to whiplash discussed in last year's annual report. They will be concluded in the first half of 2003 and made available to the public via print or web publication.

Initial documentation subsequent to whiplash
The first problem extends to the initial documentation sheet subsequent to whiplash (or cervical acceleration/deceleration (CAD)). The aim is to record all people in Switzerland on this initial document sheet who consult a physician (whether in the doctor's office or in the emergency room) as the result of such an accident so that all patients are noted and specifically receive a musculoskeletal and neurological examination. The findings are then used for further treatment in accordance with the recommendations issued by a working group on diagnostics and therapy during the acute stage subsequent to whiplash. The objective is to help individual patients in their recovery so as to facilitate their reintegration. During the consultation procedure, this documentation sheet was assessed by all the medical societies involved as positive; the Swiss National Accident Fund (SUVA) and santésuisse also support the documentation sheet. The various suggestions for improving the sheet have been taken into consideration and integrated so that it is used Swiss-wide starting on 1 March 2003 for all individuals having suffered whiplash, regardless of whether these individuals are covered by statutory accident or health insurance. The associated documents are available at and can be downloaded from the SIA's Medical Service's new website: http://med.svv.ch

Occupational illnesses – accident insurance
At the conferences in 2002 for compulsory accident insurance heads and consulting physicians, the emphasis was on occupational illnesses as this topic had not been dealt with for many years and more knowledge was required in dealing with a declaration of non-suitability. The compulsory accident insurance heads were also involved with the Federal Law on General Social Security Law which went into effect on 1 January 2003. Attendance was high at all three conferences; all three were assessed as extremely positive with regard to the topics, content and presentations offered.

The fifth expert/loss adjuster course on accident insurance took place in September of 2002, again under the sponsorship of the FMH and co-organized by the SIA and the Swiss National Accident Fund (SUVA). A total of 80 physicians took part in the course. For the first time the course included a supplementary module entitled "Insurance Psychiatry", which proved to be an enormous enrichment of the overall program. With a response rate of 94%, the evaluation provided for course assessments of "good" to "excellent". The sponsorship and support of the insurance representatives were rated as outstanding, with the participants unanimously certifying the impartiality and objectivity of the course.

Insurance Medicine Interest Grouping
A steering group was founded in the autumn of 2002 at the initiative of the two medical directors of the SIA and SUVA for the purpose of establishing a Swiss Medical Insurance interest grouping so that insurance medicine aspects are bundled in Switzerland. The objective of this interest grouping is to offer physicians interested in insurance medicine a platform for accessing continuing and advanced education and training, engaging in research, developing standards, and ultimately also certifying insurance medicine.

The Swiss Insurance Association was represented by its medical director at several congresses and conferences at home and abroad who gave talks at these events.

6 Prevention

The Commission for Prevention, which administers the premium surcharge of the non-occupational accident insurance (NBU-PZ), revamped its organizational structure last year. The Committee – composed of loss and communications experts who donate their time on a “double-duty volunteer basis” – is supplemented by an external aid who is designed to contribute prevention expertise. Currently the Commission is in the process of developing a strategy pertaining to the future use of funds.

According to the agreement between the SIA and Swiss Council for Accident Prevention (bfu), the SIA finances some of the Council’s projects. During the current year the SIA is funding the campaign “ENJOY SPORT – PROTECT YOURSELF”, which is designed to enhance the public’s awareness of the accident risk involved in sports. In addition, the SIA is also providing funding for establishing a seminar for advanced education and training of multipliers in accident prevention in which interested individuals can receive training so that they can pass on their knowledge to others.
The SIA is also contributing to the “Drive during the Day with Your Lights On” campaign, in which all motorists are encouraged to drive with their lights on during the day when the conditions demand.

The SIA was not able to approve of the demand made during 2002 by the Swiss Council for Accident Prevention for an increase in the premium surcharge for non-occupational accident insurance. In the SIA’s view, an increase of this type can only be considered in connection with a revision of rates. Adopting a different approach would cause insurance companies to incur disproportionately high administrative costs.

7
Combating insurance fraud

7.1 General remarks

Up until a few years ago insurance fraud specialists were perceived in many companies to be exotic birds flocking among insurance company staff. Coming from a law enforcement background for the most part, these individuals were not all that common and thus were few and far between in comparison to the other property specialists. There has been perceptible change in this situation during the last few years. Combating insurance fraud has been transformed into an acknowledged and indispensable component of loss management for most insurers. This development has been promoted and accelerated by virtue of recognizing that assigning specialists specifically trained for the task makes a substantial contribution toward uncovering bogus loss claims. One result of this is that most companies now have specialized units who are devoted to investigating suspicious claims. The members of these units generally have a legal or law enforcement background. Although the rights and obligations of the contracting parties are clearly laid down in the General Insurance Conditions and relevant legislation, this does not stop people from repeatedly trying to circumvent the provisions in order to make good on fraudulent claims. Fortunately, the great majority of policyholders are assumed to be law-abiding citizens who file claims only for what is rightfully due them. This is all the more reason why insurance companies consider protecting these honest policyholders against excessively high premiums to be one of their core duties. They will not tolerate claims payments – which are ultimately financed out of premiums paid by policyholders – unjustifiably being burdened and increased.

7.2 Central Information System (ZIS register)

The Central Information System (or ZIS register) maintained by the SIA is considered to be an efficient instrument in combating insurance fraud. All key market players are linked to the system. Based on binding regulations for use and maintenance, this database is used to store all cases of attempted fraud which have been detected. Direct access is limited to a defined group of persons. The cases entered in the database are expunged after five years, as specified by the regulations. Periodical analyses of the new entries provides a picture of where insurance fraud is headed, on what areas fraud is concentrated, and where suitable countermeasures, if any, are to be initiated. During the year under review, a total of 619 new cases of fraud involving 772 individuals and companies were recorded in the ZIS register, thus making for very little change in comparison to 2001, during which 643 new cases were reported. The future will show whether this favorable trend will continue. Another thing essentially remained unchanged: the majority of cases of attempted insurance fraud involved men (four fifths) in the 30- to 40-year-old age group. Approximately half of all recorded fraud cases during the year under review were accounted for by motor insurance, once again confirming the susceptibility of this insurance line to fraud. Numerous bogus claims were also filed for house contents and liability insurance. This is in stark contrast to the personal insurance cases recorded in the ZIS register, which are relatively insignificant as far as their number is concerned yet not as far as the total amounts at stake in them. To be sure, all these cases totaled ca. CHF 16 million in 2002. Seeing as all cases of fraud do not begin to be recorded in the ZIS register it can be assumed that the total number of cases of fraud detected by the fraud units of insurance companies exceeds this amount by far.

7.3
Projects

The ZIS register has been repeatedly shown in practice to be an effective means of combating insurance fraud. However, its range of impact is limited as it cannot prevent several instances of benefits from being unjustifiably disbursed for the same loss. An example of this is the hail damage to cars when two insurance companies unknowingly end up paying off claims for the same loss event in some cases. The Insurance Fraud Commission was prompted by a number of insurance companies to look into this problem and examine the question of which measures could be taken to prevent multiple benefits from being disbursed for the same loss event. These investigations have yet to be concluded. The project is primarily devoted to establishing a motor vehicle database or enabling access to databases already in existence at various organizations outside the insurance sector. The Commission has also examined software systems newly developed by software specialists which might be used in investigating complex fraud cases. These systems enable correlations to be detected and the proper conclusions to be drawn when many different parties are collaborating. One of these specialized systems, a Financial Investigation Tool, is already being used by one major company. It can also be used by other interested parties.

7.4
Cooperation

In investigating cases of fraud insurers are frequently dependent on cooperation with law enforcement agencies. In the “Insurer – Police” specialist group, one question which has been discussed is the areas in which closer cooperation between insurers and the police is possible. Unfortunately experience has frequently shown that data protection and professional secrecy regulations have severely limited the achievement of goals which are otherwise undisputed. For example, there are plans at Interpol to establish a Europe-wide motor vehicle database. The CEA is prepared to provide funding for this project providing that national insurance associations are accorded the right to access this database in exchange. The negotiations pertaining to how this access right is to be enabled have proven difficult.

Four editions of the SIA’s The Insurance Fraud Letter were again published during the year under review. They deal with the following topics: 2001 analysis of the ZIS register, combating fraud in personal insurance, insurance fraud in the media, and combating motor insurance fraud in Germany. During the year under review, the insurance fraud specialists of the SIA member companies met for regular conferences at the initiative of the SIA’s Insurance Fraud Agency for the purpose of exchanging information and experiences.

8.1 Media relations

8.1.1 Annual media conference

The SIA's traditional annual media conference took place in Zurich on 22 January 2003. It was attended by ca. 50 media representatives from the German-speaking part of Switzerland, French-speaking Switzerland and Ticino, in addition to neighboring countries. The interest of the media in the private insurance segment remains unabated. In his talk, SIA Chairman Dr. Hansjörg Frei looked back on the difficult year of 2002. He stressed that the main cause for the less-than-favorable results reported by many companies lies in the continued bear stock markets and ongoing drop in interest rates. The pressure on financial results, combined with a pronounced need to take write-downs, could not be offset in many cases, despite good technical results in part. Dr. Frei also touched upon the combined ratio and the considerable effort it will take in the future to prompt actuarial realities to be taken more into account. Joe Bättig, chairman of the SIA's Life Committee, dealt with the future of occupational pension schemes. In his talk, he focused on the complex question of transparency, among other things. To improve it, he said, insurers had developed detailed proposals which were being implemented without delay. Albert Lauper, SIA Vice Chairman, presented an educational offensive of the private insurers. Apart from his clear-cut admission to an undiminished commitment to occupational training he underscored the significance of continuing education and training for those in the field service.

8.1.2 Media conference on the minimum interest rate

On 3 July 2002 the Federal Council announced a possible lowering of the minimum interest rate from 4% to 3%. The SIA greeted this lowering of the interest rate in view of the current situation in capital markets. The Federal Council's announcement triggered a heated debate in the media in which the private insurers were pilloried. This prompted the SIA to issue an invitation to a media conference in Zurich on 12 July 2002 in which over 70 media members attended. The private insurers refuted the accusations of having deprived their customers of billions in profits and backed up their statements with detailed figures. This event and the comments made by SIA representatives met with a highly positive response in the press and on radio and television. On 23 October 2002 the Federal Council passed a resolution to lower the minimum interest rate to 3.25% as of 1 January 2003.

8.1.3 Media communiqués and inquiries

During the period under review, the SIA issued media communiqués on a wide variety of current events: the minimum interest rate, the fallout of September 11, insuring terrorism-induced loss, the abolition of unlimited coverage in motor insurance, and the SIA's activities in numerous prevention projects, to name only a few. The members of the media exhibited considerable interest in the following topics: questions related to the Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (BVG), financial market oversight, solvency, accounting practices and principles, the equity of insurance companies, and safeguarding the entitlements of insureds. Apart from responding to phone queries, experts were also frequently provided as interview guests for news features in the print media and various radio and television shows.

8.2
Internet and extranet

During the year under review, another increase in the 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 and up-to-the-minute, being consulted by those in the media in particular. Other target groups include insurance company staff members and private individuals. The website is continuously 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 and SIA publications.

The SIA's extranet was brought on line in February of 2003. The extranet is designed to optimize the flow of information between SIA members, specialist bodies and the Head Office. The extranet is a web-based information and working platform for a selected user group. Inside – the information platform – makes available relevant information for the SIA's members. Office – the working platform – enables interactive collaboration of the SIA's ca. 40 bodies, in addition to serving as an electronic filing cabinet. The members of the bodies have complete autonomy in determining the content of their office. The public offices are used to file information which is to be available to all body members. This ensures an exchange of information between the SIA's ca. 40 bodies and their working groups.

8.3
Publications

In the autumn of 2002 the SIA published a new issue of its Private Insurance Primer, available in German, French and Italian. This successfully launched brochure with its contemporary design serves as a practical reference guide for the layman, explaining the complex subject of insurance in a clear, concise manner on approximately one hundred pages. The core of this reference guide consists of an alphabetical index containing nutshell explanations of 140 key insurance concepts. Copies of the brochure can be ordered at www.svv.ch.

In January of 2003 the SIA in concert with the Swiss Career Counseling Association (SVB) published the Training Occupation Brochure (see also section 4.1.9). It provides an overview of the wide variety of career options in the insurance sector for career counselors, students and parents. The 16-page brochure is available in German and French. Copies of the brochure can be ordered at www.svv.ch.

8.4
Prevention projects

The SIA was represented at Expo.02 from 15 May to 20 October 2002 with its project "SignalPain" at the Yverdon-les-Bains arteplage. The pavilion was visited by 1.1 million people. Resonance in the media was positive and operation of the pavilion was smooth throughout the fair. This project was the result of 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.

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 two instruction paths were opened in 2002 in Grafenort (Obwalden) and Altdorf (Uri). Two others will follow in Poschiavo (Grisons) and Werdenberg (St. Gallen) in June and August 2003. For further information, see www.schutz-wald-mensch.ch.

In 2002 the SIA conducted the "Gegen Zeck auf Zack" campaign against ticks for the second time. The handy, easy-to-understand flyer of the same name serves to inform people about the worsening spread of disease-carrying ticks. The flyer is available in German, French and Italian. It has met with considerable interest. It can be ordered at www.svv.ch.

In 2003 the SIA is continuing to support the "Drive with Your Lights On" campaign initiated by the Swiss Council for Accident Prevention. Motorists are 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. The campaign was prompted by a regulation of the Traffic Regulations Ordinance that went into effect on 1 January 2002. This campaign will be continued for the next few years. Further information can be obtained at www.lichtein.ch.

8.5
Other information activities

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 are chosen from all of the main insurance areas, i.e. motor, liability, medical/accident, financial provision. The collection of questions and answers have been integrated in the SIA's website (www.svv.ch) as FAQs in the Consumer Info section.

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. The SIA's publication Inside-Info – Important Notifications from the SIA was published quarterly in German and French through the end of 2002, providing a contemporary information platform for important briefs, business items and news pertaining to the SIA. This information is now updated and available daily on the SIA's extranet.

During the period under view, the trade journal Pressespiegel was again published weekly. However, the SIA ceased functioning as the publisher as from July 2002. Pressespiegel was transferred to TopNews GmbH in Bienne and will be published by it independently from now on. The press information of relevance for SIA members is now updated and available daily on the SIA's extranet since the beginning of the year.

Private Insurance and the SUVA Ombudsman

Founded on 2 June 1972, the Ombudsman celebrated its 30th anniversary during the year under review. It is an undisputed fact that the Private Insurance Ombudsman Foundation is a respected, solidly founded and widely-accepted independent institution. The foundation chairwoman, Federal Councilor Dr. Lili Nabholz, does not possess any judicial powers. Being an independent, impartial mediator, she is also able to mediate and arbitrate between insureds and insurance companies in many cases. In the course of its 30-year history the Ombudsman has engendered considerable trust and confidence by virtue of its solution-oriented, unbureaucratic (and pro bono) counseling services.

The following areas continue to be excluded from the Ombudsman's remit: cases involving social insurance (with the exception of compulsory accident insurance under the Accident Insurance Act (UVG)), occupational pension funds and health insurance. During the year under review, 1046 queries and complaints were received pertaining to these areas of which 60% were attributable to health insurance and over 10% to employee pension schemes.

As the table below shows, the number of the cases dealt with by the Ombudsman in 2002 increased by one third. Of the total number of cases handled, 2648 fell in the jurisdiction of the secretariat in Zurich, with the branch offices in Lausanne and Lugano dealing with 365 and 214 cases respectively. One reason for the high increase in the number of cases dealt with is that complaints and queries relating to statutory accident insurance (by private insurance or SUVA) have been allowed since the beginning of 2002. The expansion of the Ombudsman's remit, which is reflected in the new Private Insurance and SUVA Ombudsman Foundation, has proved to be the right step. The other reason for the substantial increase in the overall number of cases dealt with is due to the rise in the number of cases handled relating to life, medical, general liability and fully comprehensive motor insurance. Unpleasant headlines pertaining to the earnings situation of individual insurance companies probably also contributed to the increased utilization of the services offered by the Ombudsman.

Sector	2002	2001	2000	1999	1998
Health	390	301	287	282	343
Third-party motor liability	399	408	366	352	291
Comprehensive general liability	385	357	301	292	283
Life	614	506	400	350	410
Fully comprehensive motor	179	133	111	150	168
Theft	79	81	74	118	131
Accident, private	117	112	89	87	120
Legal protection	113	100	104	98	92
House contents	193	249	108	84	94
Accident, statutory	256	–	–	–	–
Other	502	172	414	368	200
Total	**3227**	**2419**	**2254**	**2181**	**2132**

10.1 Membership

In referring to the list of members in the Annex, the reader will note that the Association featured 69 members as of the end of March 2003. The following members left the Association or were merged with another member during the year under review: AIG Life, Coop Leben, Eidgenössische Versicherungs AG, and Northern Assurance Company. New SIA member: Converium.

10.2 Annual General Meeting

The 72nd annual SIA General Meeting was held on 5 June 2002 at the Dolder Grand Hotel in Zurich. The meeting was attended by delegates from 65 of the SIA's 72 member companies, along with invited 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 members of other federal agencies, in addition to guests from friendly trade organizations and various organizations associated with the insurance industry, and other guests. The talk given by the SIA Chairman was entitled "Difficult Environment – The Challenge Posed to the Private Insurance Industry". The guest speaker Matthias Haller, Professor of Risk Management and Chairman of the Executive Committee of the Insurance Institute of the University of St. Gallen, gave a talk entitled "Insurance – An Added-Value Industry". The text of the two talks can be accessed on the SIA's website (www.svv.ch).

The ordinary business – approval of the minutes of the previous annual general meeting, 2001/2002 annual report and 2001 annual accounts – did not give rise to any debate. Dr. Hans-Jürg Bernet (Zürich) was elected to the SIA's Executive Board, thus succeeding Peter Eckert (Zürich), who had announced his resignation. Josef Bättig (Zürich) was appointed chairman of the SIA's Life Committee, thus succeeding Roland Chlapowski (Swiss Life).

10.3 Executive Board

The Board convened on 11 April 2002, 20/21 August 2002, 13 November 2002, and 15 January 2003 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. The five-member Board Committee met much more frequently than in the past for the purpose of making emergency decisions as provided for in article 13 of the SIA's Articles of Association.

During the year under review, Urs Berger (Basler) and Roland Chlapowski (Swiss Life) resigned from the SIA Board.

10.4
Head Office

As detailed in the 2000/2001 annual report, the Executive Board passed a resolution in mid 2001 to restructure the Association's organization (Head Office in Zurich and Public Affairs Office in Bern). On 11 April 2002 the Executive Board elected Lucius Dürr SIA Director, a function which did not exist in the SIA up until that time. The Head Office was reorganized at the same time. It now comprises five units: Personal Insurance, Indemnity Insurance, Economy and Financial Affairs, Law, and Communications/Public Affairs (cf. organizational chart in the Annex). Whereas the heads of the first three units remained unchanged, the head of the Law Unit was replaced; the SIA Director took over as head of the Communications Unit. The Association hopes that by restructuring management the presence of the private insurance industry will be enhanced at the national and international level. It also hopes that public awareness of insurance topics will be heightened and that a more prominent profile will be created for the Association in the public eye, thus contributing to an increase in the SIA's impact on decisions relating to economic and social policy.

10.5
Commissions and other bodies

The work of the various commissions, working parties, project groups, delegations and task forces at the central and committee level again occupied front and center stage in the Association's work. The SIA's "double-duty volunteer system" – in which members contribute their time in addition to their normal duties at their corporate employers – continues to play a key role within the Association: It is only thanks to the willingness of the member companies to "loan" their specialists for the important work of the individual bodies that it is even possible to manage the multiple, comprehensive and increasingly complex and urgent work of the Association from the comparatively small Head Office. However, during the past few years it has been shown that the composition of the various bodies 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 SIA's various bodies, refer to the SIA publication entitled "Swiss Insurance Association Bodies", available from the Head Office.

International

1.1 “Bilateral Treaties II”

The seven bilateral treaties between Switzerland and the EU approved by the Swiss electorate on 21 May 2000 went into effect in mid 2002. At the end of January 2002, the Federal Council passed the negotiation mandates for a total of 10 areas on which Switzerland and the EU have been seeking to conclude bilateral treaties. The following topics are involved:

- Taxation of interest
- Combating of fraud
- Schengen Implementation Agreement/Dublin Convention
- Services
- Occupational pensions
- Processed agricultural products
- Environment
- Statistics
- Education/vocational training/youth affairs
- Media

The negotiations between Switzerland and the EU progressed well at the beginning of 2003; bilateral treaties have been concluded on various areas or these areas no longer pose any essential content issues. The following topics are the most controversial both politically and objectively: taxation of interest, Schengen/Dublin, and combating fraud.

The service sector, which takes front and center stage for the insurance industry, was jettisoned de facto from the package. It was shown that issues like the deregulation of postal and telecommunications services, but also questions relating to competition law or money laundering, could not be resolved within a reasonable period of time.

In several petitions addressed by it to the State Secretariat for Economic Affairs (seco), the SIA clearly came out in favor of bringing about mutual free trade in services. The insurance agreement with the EU currently in effect only covers the right of establishment, in addition to only extending to non-life insurance. Bringing about comprehensive deregulated free trade in services would be in keeping with the Association’s basic position on regulatory policy. Consequently, the SIA would basically be prepared to adopt the acquis communautaire. However, the SIA has repeatedly made clear to government authorities that Swiss insurance companies “can live” with the current legal situation and that they have successfully positioned themselves in the 15 member states via subsidiaries and branch offices. Consequently, the decoupling of the service sector from the overall Bilateral Treaties package does not appear to be a serious issue.

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

1.2 Single insurance market

1.2.1 Action plan for financial services

On 3 December 2002 the European Commission submitted its 7th progress report on the action plan for financial services. To date, 31 of the 42 measures provided for in the action plan of May 1999 have been passed. The year under review saw the passage of the following measures of relevance for European insurers:

- Ordinance Pertaining to the Application of the IAS Standards of 19 July 2002
- Directive on Financial Conglomerates of 20 September 2002
- Directive on the Distance Marketing of Financial Services of 23 September 2002
- Insurance Mediation Directive of 9 December 2002

1.2.2
Guarantee systems for insurance companies

With the promulgation of the Directive on the Reorganization and Liquidation of Insurance Companies, the legislative process begun by European lawmakers in the 1970s is coming to a close; this directive is to now be incorporated into national law by the member states by April 2003. The aim of the directive is to establish the process for the liquidation of insurance companies and obligate the member states to establish guarantee funds. Reinsurance companies are excluded from this.

In October of 2002, the Comité Européen des Assurances (CEA) took advantage of the opportunity to issue a comprehensive position statement on this. It is of the opinion that in the event that an insurance company goes bankrupt, the protection of consumers depends on the effectiveness, adaptability and relevance of oversight provisions. It is not in favor of an obligation on the part of the member states to establish a guarantee fund, as they should be free to decide which instruments and systems should be established to safeguard consumer interests in the event of the liquidation of an insurance company. In order to safeguard the equal treatment of citizens of the European Economic Area, the guarantee systems for protecting insurance policyholders should be based on the principle of the country of domicile and on the principle of the equal treatment of all EU citizens for all policyholders.

Criticism was also leveled at the fact that establishing guarantee systems of this type would be costly for the insurance industry. The CEA finds a clear-cut description of financing to be lacking. It also finds fault with a possible associated distortion of competition, which in its opinion cannot be precluded. Consequently the CEA is of the opinion that it is essential that systems be avoided which pose the risk of making the respective players less responsible and accountable. The assessment of financial soundness would no longer be decisive when taking out a policy, meaning that well-managed companies would run the risk of financing poorly managed ones.

1.3
Institutions for occupational retirement provision (IORPs)

At the beginning of March 2003, the European Parliament passed the “Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision”. This paves the way for the Council of Ministers to adopt the directive in spring of 2003. After the directive has been enacted the member states have 2 years to implement the directive into national legislation.

The directive establishes minimum oversight standards so that the financial oversight of the country of origin of IORPs would basically be recognized throughout the entire European Union. Institutions falling under the directive would then be permitted to offer their services throughout the EU. For one thing, the directive preserves the multiplicity of IORP systems. For another, the necessity of financial security in old age and protection against biometric risks is underscored, as is providing for the financial security of surviving dependents and the event of disability.

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

1.4
Visitor protection directive

Whoever is involved in a traffic accident outside of his country of residence is to be able to file claims against the foreign liability insurer in his home country. This relief is the main purpose of the 4^{th} Motor Insurance Directive – a.k.a. as the Visitor Protective Directive – enacted by the EU on 20 January 2003.

Switzerland has decided to independently adopt the provisions of this directive, i.e. regardless of whether or not a treaty with the EU is passed. The requisite changes to this effect in the Road Traffic Act and Insurance Oversight Act were passed by the National Council and Council of States on 4 October 2002 and enacted into law on 23 January 2003. Swiss companies were notified of the significance of the amendments and the need for action by the Swiss National Bureau of Insurance by way of a bulletin and instruction leaflet.

The statutory adaptations at the national level will not be of any use in the last analysis unless there is success in including Switzerland in the EU Visitor Directive (reciprocity). Without any international agreements with foreign countries, the changes to Swiss law remain limited.

A treaty or convention solution with the EU – possibly in addition to the existing Insurance Agreement – is not possible in the near future for political reasons. To date, the efforts to bring about bilateral declarations of reciprocity have also proven more difficult than originally assumed. Following from this situation, the SIA – at the petition of the Swiss National Bureau of Insurance and in agreement with the Swiss government agencies involved – decided to bring about cross-frontier reciprocity by way of private law agreements. Negotiations with Germany and Austria are advanced; both national associations are highly interested in such a solution. As soon as the agreements with the German and Austrian associations are implemented efforts will be made to bring about similar agreements with other EU member states.

1.5
Developments in EU competition law

1.5.1
New block exemption regulation for the insurance sector

The block exemption regulation for the insurance sector expires on 31 March 2003. It constitutes the legal permission for cooperation between insurance companies in European insurance associations, among other things. The successor regulation which goes into force on 1 April 2003 essentially corresponds to the old block exemption regulation.

As a consequence, the joint drafting of non-binding standard insurance conditions for primary insurers continues to be permissible insofar as they do not contain any provisions which are prohibited pursuant to article 6 of the regulation (so-called “black clauses” or hard-core restrictions). The following provisions are prohibited: clauses which put the insurance policyholder at a distinct disadvantage and which pose innovation barriers for new insurance products. The regulation also specifies exemption prerequisites for agreements concerning the following:

- net premium rate recommendations
- co-insurance groups
- security devices.

1.5.2
New implementing regulation pertaining to articles 81 and 82 of the EC Treaty

On 16 December 2002 the Council of the European Union promulgated the implementing regulation pertaining to the competition regulations set forth in articles 81 and 82 of the EC Treaty. The new regulation goes into effect on 1 May 2004 and supercedes regulation no. 17 of 1962 still in effect.

The new implementing regulation will bring about a paradigm change by introducing an enforcement system in which the registration and exemption system will be replaced by the "directly applicable exception system". In so doing, the European Commission's monopoly in issuing individual exemptions of restrictive agreements is abolished. This is designed to reduce the Commission's workload so that it can concentrate on serious violations of competition rules. The new directly applicable exception system will not supplant the Commission's block exemption regulation or its continued right to issue individual exemptions ex officio to benefit the public interest.

1.6
"Lamfalussy Procedure"

In the spring of 1999 the European Commission approved an action plan for financial services according to which an integrated financial market is to be realized in the EU by 2005. This was followed by an expert committee chaired by Alexandre Lamfalussy being commissioned to advance progress toward the ambitious goal of developing a legislative and oversight system in keeping with the exigencies of modern-day finance markets. Although the objective was originally focused on the securities market, now, according to a decision handed down in December of 2002, the banking and insurance sectors are to also be generally included. The developments in the European Union are of central interest to the Swiss private insurance sector, which is why they are closely tracked by the SIA's Head Office and by the CEA.

The Lamfalussy report published in the spring of 2001 clearly showed that the legislative process has to be accelerated in order to take account of the breakneck developments taking place in the finance market. A four-level concept was proposed to this end (the "Lamfalussy procedure"). At the first level, the Council and European Parliament are to come to an agreement on basic principles ("framework legislation") as based on proposals issued by the European Commission. The key thing in this connection is that in the future directives and regulations are to govern questions of principle and implementing powers ("directives based on framework principles"). The technical details of the future regulations are established at the second level by the Commission in close cooperation with the market players, designated as a consulting body, and two new committees to be created ("technical committee procedure"). A networking of the national regulatory authorities takes place at level three ("coordinated application"), with monitoring of adherence to statutory provisions being monitored at level four ("monitoring").

The EU accords high priority to unifying finance markets, as they undisputedly represent a major, key step towards economic integration. That is why it is assumed that every effort will be made to advance the Lamfalussy procedure. To be sure, the European Parliament is demanding a revocation clause which would enable it to reject proposals made by the Commission in the event it should overstep its competence in the Parliament's view. This is designed as a compromise for the Parliament's waiving the co-decision process at level two, at which only a comprehensive exchange of information is to take place.

2.1 International Association of Insurance Supervisors (IAIS)

The IAIS sees itself as a standards-setting body for insurance oversight. The SIA has observer status in this organization.

During 2002, the IAIS dealt with and analyzed various topics of particular significance to the insurance industry in one way or another: principles of capital adequacy and solvency, minimum requirements applicable to the oversight of reinsurers, oversight principles with regard to the exchange of information, supervisory standards for the assessment of reinsurance coverage, guidelines pertaining to public disclosure by insurers, and anti-money laundering guidance notes.

The 2002 annual General Meeting took place in October in Santiago, Chile. Various issues of topical interest to the insurance sector were discussed: establishing pertinent accounting standards for insurance accounting, perception of insurance oversight from the point of view of capital adequacy and quantifying/assessing insurance liabilities, or dynamic solvency test models.

In addition, the IAIS decided to exert a direct influence on the development of accounting standards. In January of 2003 Florence Lustman took her seat as IAIS representative on the IASB's Standards Advisory Council (cf. section 2.2). This illustrates that the IAIS is aware of the importance and the implications of this key standards setter when it comes to accounting and auditing and that it is prepared to assert its influence in this area. For further information on this topic and the IAIS, please refer to the IAIS website (www.iaisweb.org).

2.2 International Accounting Standards Board (IASB)

The IASB has recently maintained a fast pace and been extremely active in certain areas. This was possible owing to various events in the USA: the WorldCom and Enron scandals and the ensuing fallout of these events on the audit sector. This has enabled European standards setters like the IASB to reposition themselves.

Led by the IASB, there has been success in reviving the old question pertaining to the supremacy of the accounting standards to be applied. Under the regime of the Financial Accounting Standards Board (FASB) – which is accepted by the Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants as the authoritative body – the USA – following from the Norwalk Agreement passed on 18 September 2002 in Norwalk, Connecticut – reached an agreement with the IASB to strive for convergence of US GAAP and IAS. What direction these provisions could take will be of the utmost interest to companies which do their reporting according to IAS – which includes all companies listed on the Swiss stock exchange. This project is referred to as "International Financial Reporting" (or IFRS) by the IASB.

The IASB, spokesman of the FASB, claims that by using the accounting regulations developed under its aegis it can bring about convergence throughout the world. This noble intention makes sense due to several considerations as harmonization of the various accounting regulations and forms (statutory reporting vs. reporting to the oversight authority, reporting according to Swiss GAAP FER, IFRS or US GAAP) would be achieved, as they currently make it virtually impossible for the interested observer to obtain anything in the way of a complete picture on the various reporting types within a useful period of time.

For further information on this topic and the information contained in section 4, please refer to the IAIS website (www.iaisweb.org).

2.3
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 four-day meetings in July and December of 2002. 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 points of emphasis on the agenda of the July and December meetings:

- Coverage of terrorism losses
- Environmental risks (in particular flooding)
- Bear market and accounting standards
- Financial conglomerates
- Private health insurance
- Continued deregulation

The Working Party on Private Pensions continues to be extremely active. This working party drafts comparative country reports, 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 (third pillar plans), to name only a few activities. Old-age pensions 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.

Kurt Schneiter, member of the executive management committee of the Federal Office for Private Insurance, was elected chairman of the OECD's Insurance Committee at the December meeting.

2.4
WTO/GATS

Switzerland submitted its initial petition initiatives to the member countries of the WTO in mid 2002 and will submit its initial offers by 31 March 2003. The petitions are primarily addressed to industrial nations in general, and the European Union, the USA and Japan in particular. The less developed countries are not affected by the Swiss petitions. All WTO members want the petitions to be treated confidentially so that the weaker partners do not have to deal with coalitions of countries.

The Swiss petitions pertaining to the service trade focus mainly on financial services (banking and insurance), environmental services, a series of services for companies, tourism services, assistance services for transportation sectors, and distribution services. The petitions do not affect the following sectors: education, health, rail transportation, postal and courier services, communications and audiovisual services.

An informal meeting of ministers was held in Tokyo from 14 to 16 February 2003 for the purpose of generating new impulses for continuing the negotiations resolved in Doha and to make preparations for the next conference of ministers in Cancun, Mexico, from 10 to 14 September 2003. There was no success in bringing the various positions into line with regard to the following controversial issues: deregulation of agricultural products and facilitating access to vital medication by developing countries. It remains to be seen whether the second recommendation of the WTO Agriculture Working Group and the unofficial proposal outlined by Brazil pertaining to access to vital medication will enable agreement to be reached and what impact non-agreement would have on the service trade negotiations.

It should be noted that negotiations pertaining to the accession of Russia to the WTO are currently in progress. It is not yet clear when Russia will be able to accede to the WTO on account of numerous difficulties in various areas. Accession is hardly likely to take place until 2005 or 2006.

3.1
CEA General Meeting

The General Meeting of the CEA took place on 21 June 2002 in Lisbon at the invitation of the Portuguese member association. Following the intensive discussions during the preparatory phase the CEA's revised statutes and new rules of procedure were passed at the meeting without any dissenting votes. Worth mentioning is the new majority rule, according to which a two-thirds majority is required to pass resolutions at the General Meeting, instead of the previous three-fourths majority. In addition, a unified election procedure was introduced for the members of the committees.

The Croatia Insurance Association was accepted into the CEA with the status of associate member. It is the 30th member to join the CEA.

The question concerning moving the CEA's headquarters from Paris to Brussels was shelved. The problems involving the associated costs, social acceptability and enhancement of efficiency are to be investigated in depth.

The annual report incorporating the description of the issues covered and the deliberation results was adopted. The report was supplemented by a synoptic table detailing the priorities of the committees.

The next General Meeting of the CEA will take place in Paris on 19 June 2003. The Czech association is inviting the delegates of the national association members to Prague in 2004.

3.2
Activities of the CEA

The report of the committees – subdivided according to European and general affairs, personal insurance and non-life insurance – provides an excellent overview of the in-depth work performed in the CEA's bodies. The SIA takes an active role in the work of these bodies by way of SIA corporate member representatives or representatives of the SIA Head Office. The documents and minutes on these activities will be available to authorized users of the SIA's extranet in the future.

The periodic meetings of the chairmen of the national association members have proven useful. Key legislative and policy agenda items are dealt with under the aegis of the CEA Secretary General, with priorities being reviewed and proposals and recommendations being received from the member associations. These meetings also serve to improve the coordination and demarcation of the committees' work.

For the SIA, the significance of the CEA as a key entrance portal to the EU was also confirmed during the year under review. This channel ensures access to internal EU developments and information. It comes as no surprise that the lobby work in Brussels has come to occupy an increasingly prominent position in the CEA's work, with Switzerland only able to contribute in a limited manner due to its non-Community status.

The European Commission's proposal of applying the International Financial Reporting Standards (IFRSs) starting in 2005 was adopted by the European Parliament in March of 2002. As a consequence, all companies listed on the stock exchange are obligated to perform their accounting and reporting in accordance with IFRS principles. This applies only conditionally to companies who already comply with U.S. Generally Accepted Accounting Principles (US GAAP), as they are obligated to adopt IFRS standards by 2007. In the process, the International Accounting Standards Board (IASB) is making every effort to improve the existing IFRSs and facilitate their application.

For a long time there were no accounting guidelines for the insurance sector which covered insurance contracts. This situation changed in the spring of 2001, when work was initiated on developing such guidelines. This was important in view of the considerable significance of the insurance sector as IFRSs will be applicable to it as well starting in 2005. Considerable progress has been made on the new guidelines, however many unresolved issues still remain. For example, last year's annual report describes how the new accounting standards are founded on the idea of creating uniform assessment rules based on fair value, this being in the interest of investors in particular. By contrast, the current accounting and reporting law applicable to stock corporations is still dominated by the principle of prudence pursuant to Swiss Contract Law (OR) and the lower of cost or market principle pursuant to the Stock Corporation Act, which primarily serves to protect creditors.

Last year's annual report also contains comprehensive details on the arguments which make a case against assessment based on fair value. Critical voices are now becoming louder, not only throughout the EU. During the last couple of months representatives of the American Council of Life Insurers (ACLI) and the Life Insurance Association of Japan (LIAJ) addressed a joint letter to the IASB in which they state that they are not in favor of the planned abandoning of proven accounting and reporting principles. It is repeatedly stressed that suitability in practice should take front and center stage.

The IASB has come to the realization that, in view of these problems, full implementation of the IFRSs in the insurance sector by 2005 is not possible. It is presently assumed that the final version of the standards for the insurance industry will not be available until 2006 or 2007. Thanks to intensive efforts on the part of the CEA, the IASB has found an interim solution for the insurance industry: implementation will be subdivided into two phases, I and II, and the regulations will be dealt with according to their priority. The interim phase (phase I) will begin in 2005. During this time accounting and reporting will have to be done in accordance with the recommendations of the IASB until full implementation of the future final standards in phase 2, which is expected for 2006/2007.

For quite some time now, IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition a nd Measurement) in particular have been a source of headache for the insurance industry. The IASB has also recognized this and placed it on its list of priorities. The CEA has been invited to take part in a round-table discussion and express the views of the insurance industry, particularly with regard to these IAS standards. Reservations pertaining to the following items in particular are to be actioned:

- the definition of insurance contracts
- the assessment of contracts sold by insurance companies and qualified as investment contracts
- the subdivision of investment and insurance components
- the treatment of transaction costs
- derivatives
- the classification and assessment of finance investments

In October of 2002, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) agreed to harmonize the IFRS and US GAAP standards. The IASB and FASB plan to develop a draft before the end of 2003 containing proposals for the changes to be made to the IFRS and US GAAP standards. The insurance industry must monitor this as there will be no standards specific to the insurance industry until 2005 which cover all areas of the insurance industry.

This development is of substantial importance for Switzerland, consequently it will be followed closely by the insurance industry in general, and the SIA in particular. On 11 November 2002, the admission board of the Swiss Exchange (SWX) officially announced that beginning in fiscal 2005 only IFRS and US GAAP standards will be recognized as the accounting and reporting standards for the main segment. As a consequence, listed companies in Switzerland will be in almost the same situation as companies in the EU.

As detailed in last year's annual report, several things have happened with regard to the regulatory requirements applicable to solvency. At the beginning of last year, the International Association of Insurance Supervisors (IAIS) passed various principles which are to serve as the framework for the establishment of national principles and the harmonization of oversight principles at the international level (cf. section 2.1).

The policy statement on solvency entitled "Principles No. 5" contains a general description of the various requirements applicable to technical reserves, liabilities, assets, risk suitability, etc. An attempt is now being made to find a uniform solvency model at the European level, to be implemented in 2005.

5

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. The statistics on 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. 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 to 2001 can be summarized as follows (figures are given in CHF million):

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

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

Statistics

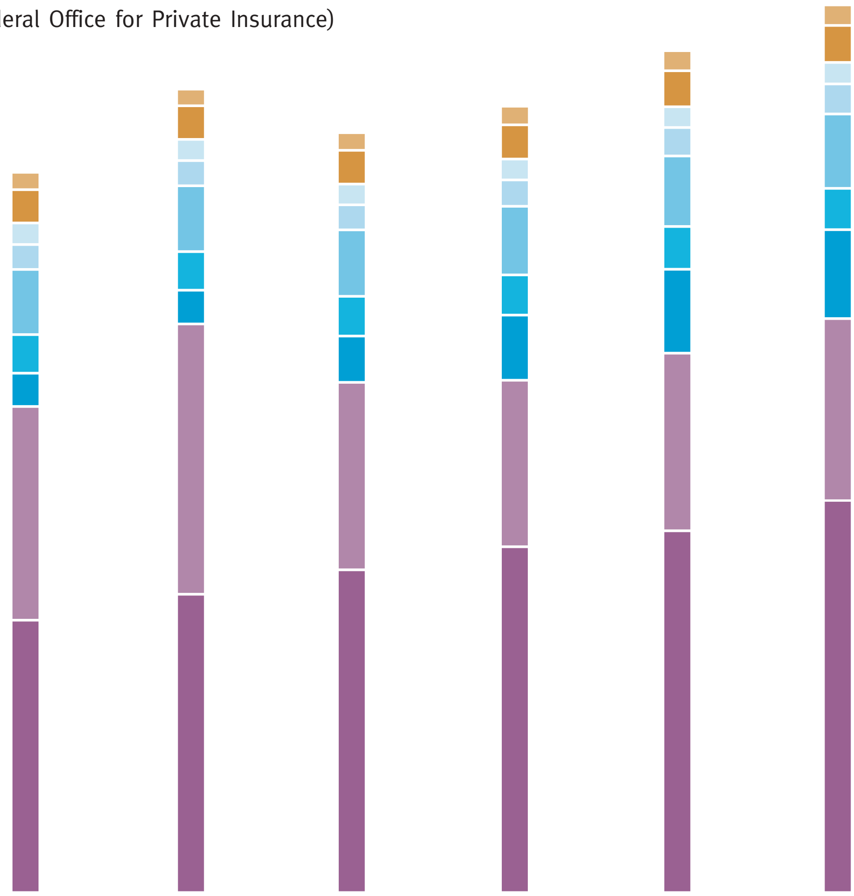
Insurance companies in Switzerland 1990–2002 (Source: Federal Office for Private Insurance)

		Life	Non-life	Reinsurance	Total
31.12.1990	Switzerland	26	65	14	105
	EU		21		21
	Rest of world		3		3
	Total	26	89	14	129
31.12.1995	Switzerland	30	73	23	126
	EU		26		26
	Rest of world		2		2
	Total	30	101	23	154
30.9.1998	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
30.9.2002	Switzerland	24	78	51	153
	EU	2	35		37
	Rest of world		3		3
	Total	26	116	51	193

Premium income

Premiums according to insurance sector, direct Swiss business 1997–2002

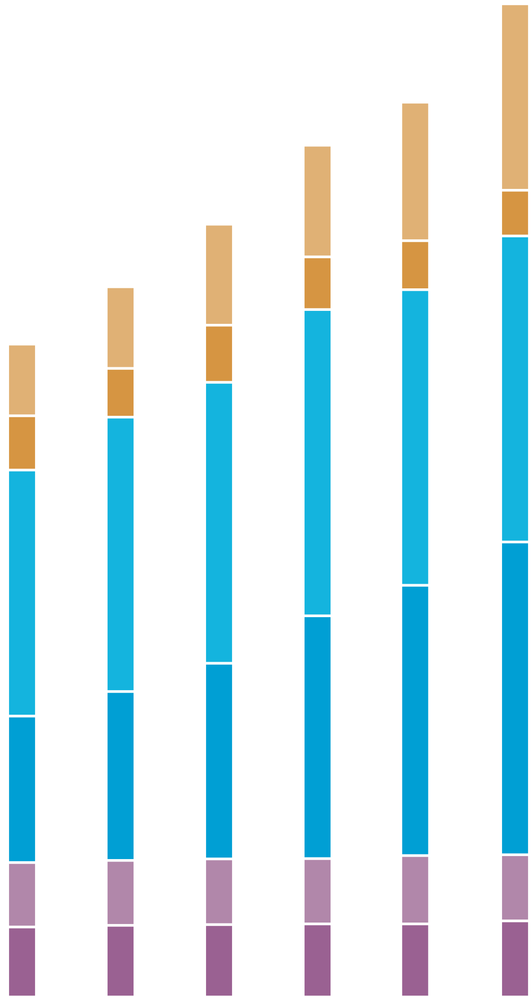
Figures in million CHF (Source: Federal Office for Private Insurance)



	1997	1998	1999	2000	2001	*2002
Life, group	16’740	18’350	19’870	21’300	22’290	24’000
Life, individual	14’130	16’610	11’470	10’170	10’860	11’140
Life, total	30’870	34’960	31’340	31’470	33’150	35’140
Medical	1’900	1’930	2’710	3’880	5’040	5’350
Accident	2’230	2’230	2’300	2’330	2’490	2’400
Motor	3’880	3’920	3’960	4’090	4’210	4’450
General liability	1’380	1’400	1’390	1’470	1’600	1’700
Fire/storm & tempest	1’170	1’150	1’120	1’130	1’120	1’170
Other property	1’900	1’920	1’930	1’960	2’070	2’130
Other sectors	910	870	930	990	1’080	1’110
Non-life, total	13’370	13’420	14’340	15’850	17’610	18’310
Overall total	44’240	48’380	45’680	47’320	50’760	53’450

* SIA estimation

Capital investments by Swiss life and property insurers and reinsurers 1996–2001 according to investment category
Figures in billion CHF (Source: Federal Office for Private Insurance)

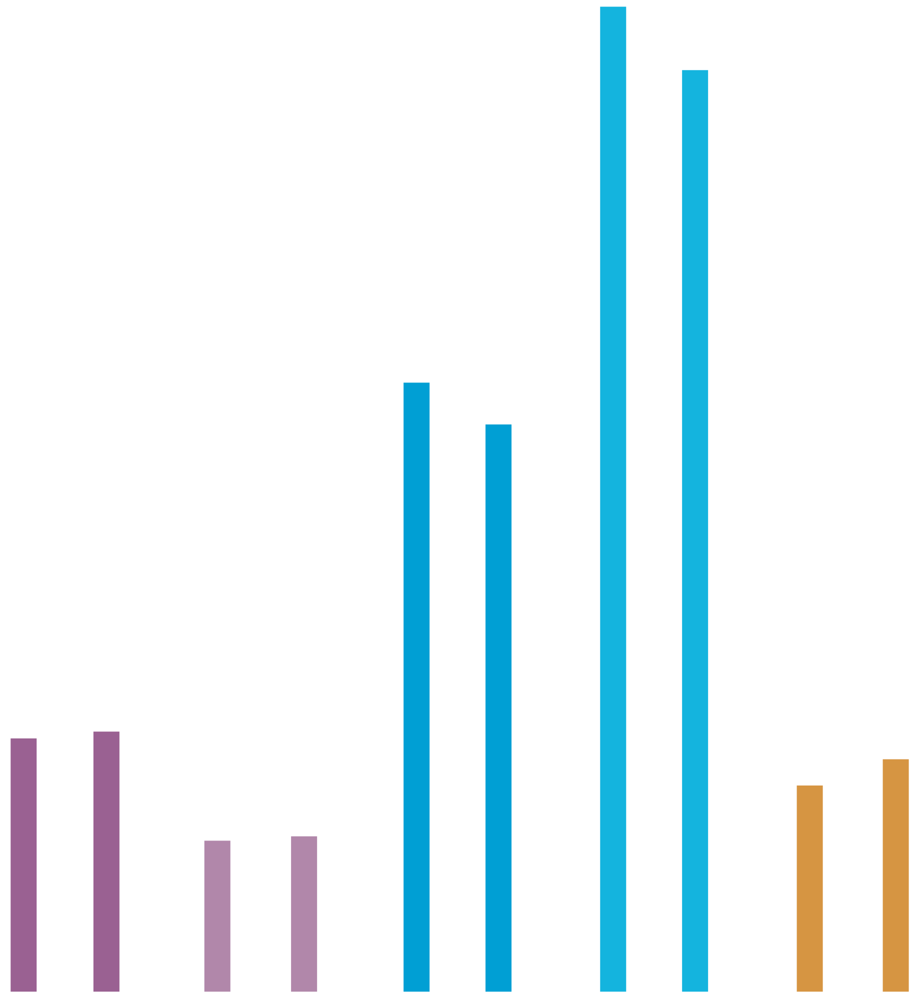


	1996	1997	1998	1999	2000	2001
Land, buildings	33.0	33.8	34.2	34.5	34.9	36.0
Mortgages	30.3	30.5	30.9	30.7	31.2	31.1
Stock, holdings	70.5	81.5	94.6	117.7	131.2	152.0
Fixed-interest securities	119.3	133.2	136.4	148.8	143.6	148.7
Loans against borrower's note, debt register claims	25.3	22.6	26.7	24.5	22.7	21.1
Other investments	33.8	38.7	48.2	53.4	66.6	90.1
Total	312.2	340.3	371.0	409.6	430.2	479.0

Investment income

Investment income by investment category 2000/2001

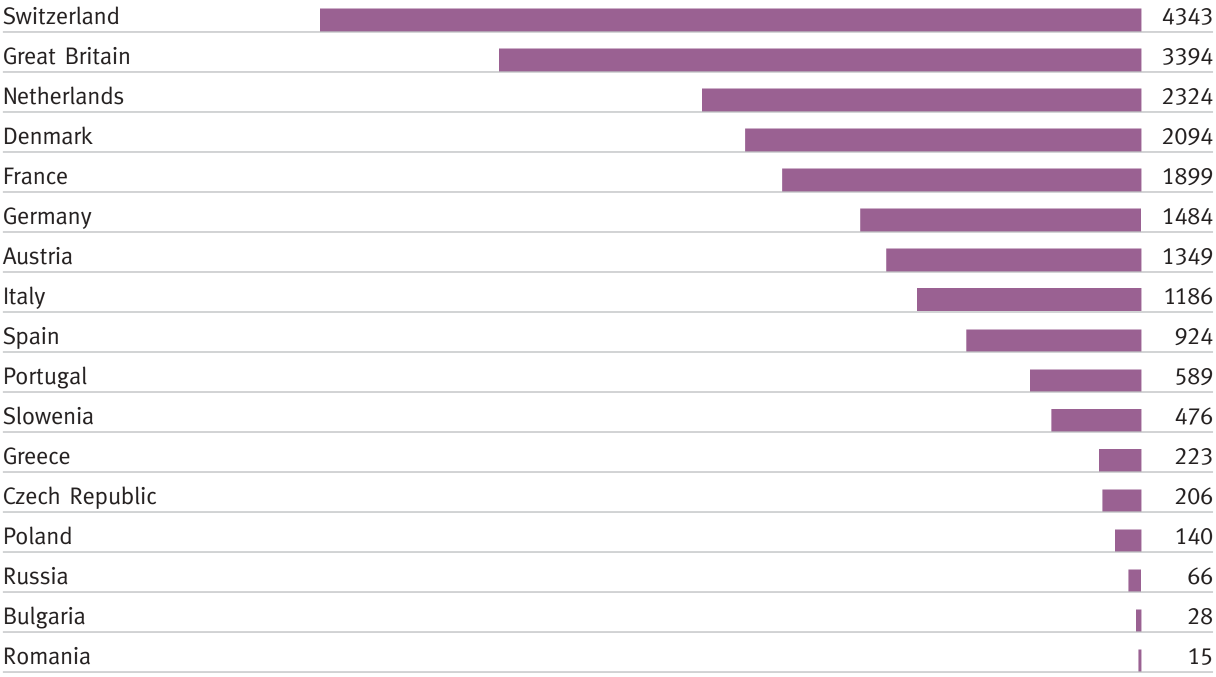
Figures in million CHF (Source: Federal Office for Private Insurance)



	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Land, buildings	2'233	2'293								
Mortgages			1'331	1'370						
Stock, holdings					5'371	5'002				
Fixed-interest securities										
Loans against borrower's note										
Debt register claims							8'686	8'126		
Other investments									1'818	2'049
Total									19'439	18'840

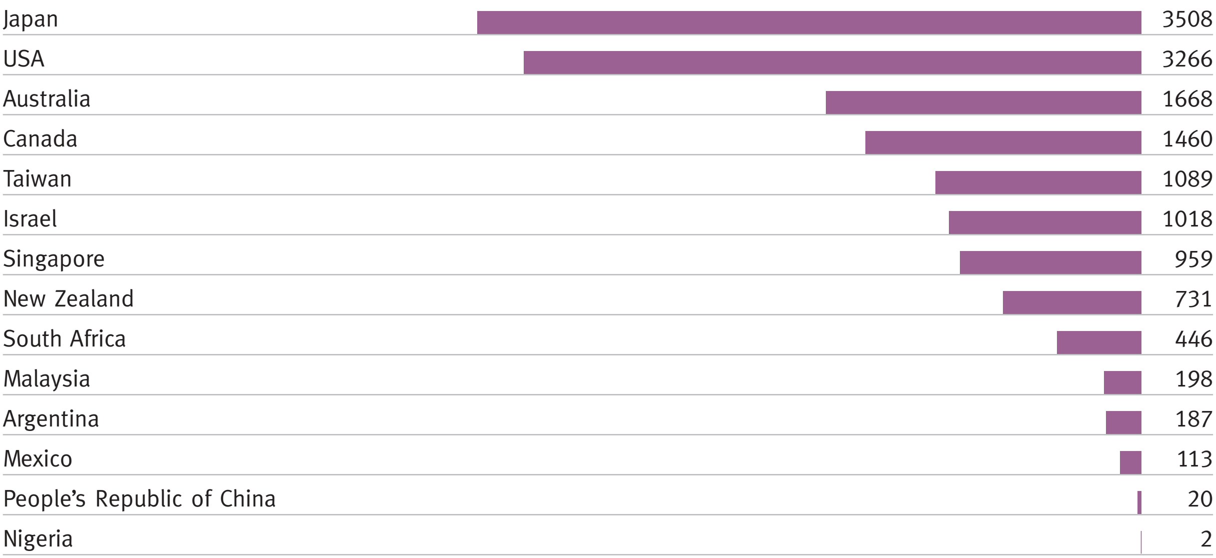
5.1

Per capita premiums for private insurance – Europe 2001, in US$ (Source: Swiss Re)



5.2

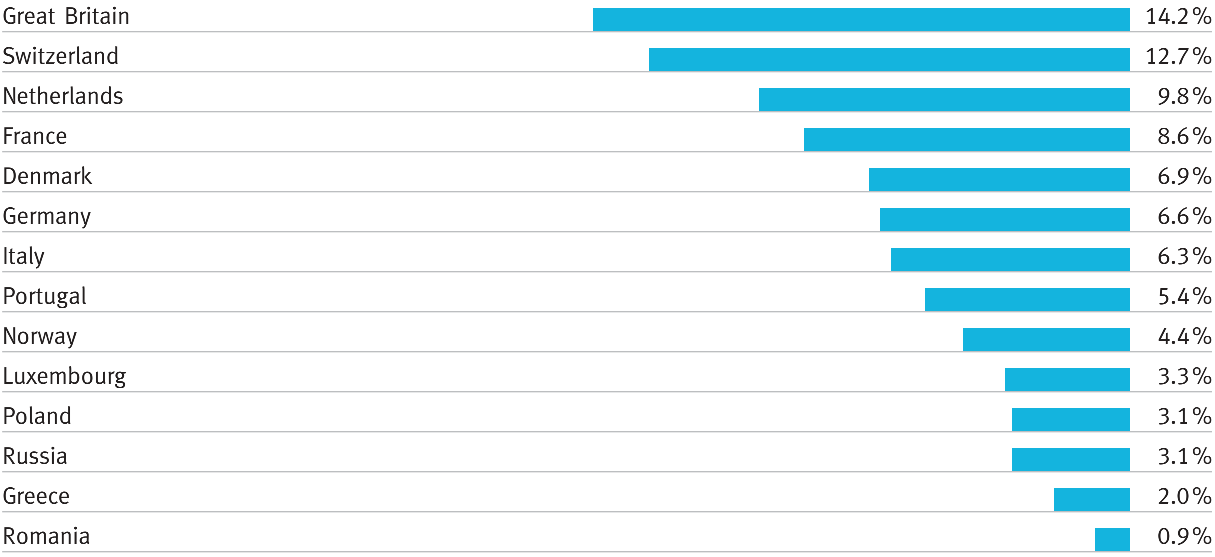
Per capita premiums for private insurance – Overseas 2001, in US$ (Source: Swiss Re)



Insurance penetration

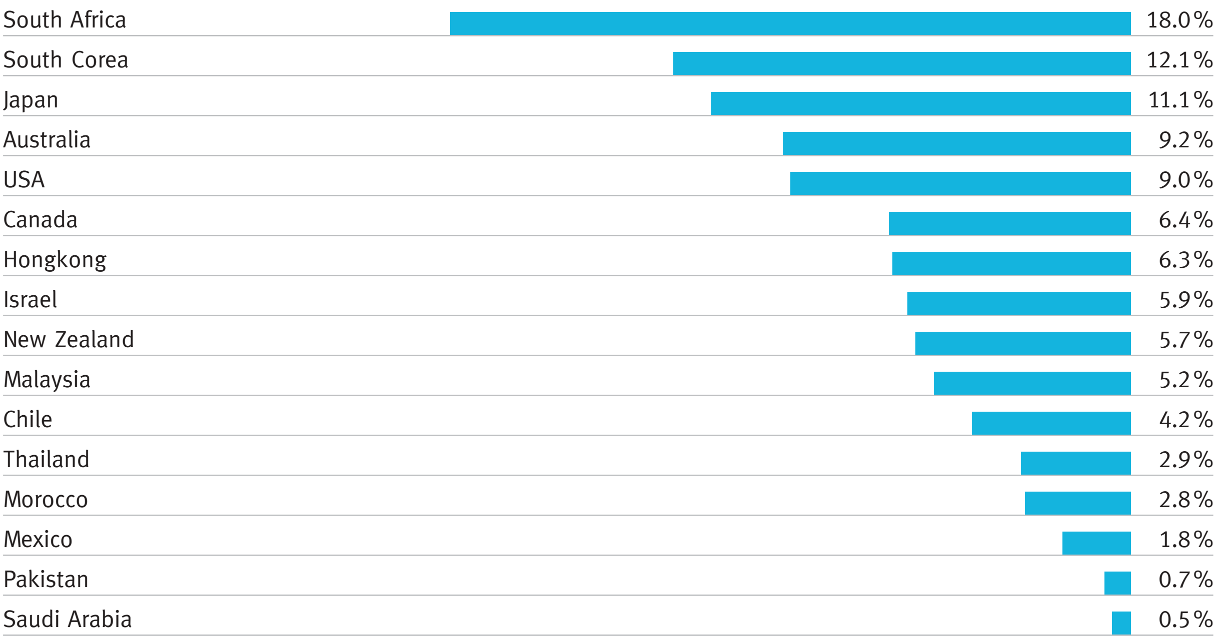
6.1

Ratio of private insurance premiums to gross domestic product – Europe 2001 (Source: Swiss Re)



6.2

Ratio of private insurance premiums to gross domestic product – Overseas 2001 (Source: Swiss Re)



7.1

Personnel statistics, Switzerland 1998–2003 (Source: SIA survey of 1 January each year)

2003 Men: 28’233
2003 Women: 17’942

	1998	%	1999	%	2000	%	2001	%	2002	%	2003	%
Men	30’341	**63.1**	30’741	**62.8**	30’120	**62.9**	30’562	**61.9**	29’690	**61.6**	28’233	**61.1**
Women	17’769	**36.9**	18’196	**37.2**	17’739	**37.1**	18’804	**38.1**	18’481	**38.4**	17’942	**38.9**
Total	48’110		48’937		47’859		49’366		48’171		46’175	
Change %	+1.3		+1.7		-2.2		+3.1		-2.4		-4.1	

2003 Men in field: 9’719
2003 Women in field: 591

	1998	%	1999	%	2000	%	2001	%	2002	%	2003	%
Men in field	9’806	**96.6**	10’064	**96.4**	10’012	**96.6**	9’731	**96.6**	9’584	**94.6**	9’719	**94.3**
Women in field	347	**3.4**	375	**3.6**	356	**3.4**	401	**4.0**	552	**5.4**	591	**5.7**
Total field organization	10’153		10’439		10’368		10’132		10’136		10’310	

2003 Female trainees: 1’226
2003 Male trainees: 885

	1998	%	1999	%	2000	%	2001	%	2002	%	2003	%
Female trainees	1’221	**57.4**	1’217	**57.0**	1’228	**56.4**	1’239	**56.3**	1’282	**55.3**	1’226	**58.1**
Male trainees	906	**42.6**	917	**43.0**	950	**44.6**	963	**43.7**	1’038	**44.7**	885	**41.9**
Total female/male trainees	2’127		2’134		2’178		2’202		2’320		2’111	

7.2

Personnel statistics abroad, 1998–2003 (Source: SIA survey of 1 January each year)

	1998	1999	2000	2001	2002	2003
Total abroad	72'844	96'872	98'956	100'218	115'645	111'754
Change (%) over previous year	+6.7	+33.0	+2.2	+1.3	+15.4	-3.4

7.3

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

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

7.4

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

	2000	2001	2002
Federal Diplomas – Insurance	–	–	7
Federal Certificates – Insurance	16	47	89

Appendix

Executive Board*	**Chairman**	Dr. Hansjörg Frei	Winterthur Versicherungen
	Vice Chairman	Albert Lauper	Die Mobiliar
	Members	Dr. Gerd-Uwe Baden	Allianz Suisse
		Dr. Hans-Jürg Bernet	Zürich Schweiz
		Rudolf Kellenberger	Swiss Re
		Rolf Mehr	Groupe Vaudoise Assurances
		André Vionnet	Schweizerische National
		Erich Walser	Helvetia Patria
		Hans Weber	Pax Leben
		Martin Zellweger	Generali Gruppe

* Status as of 31 March 2003

Life Committee	**Chairman**	Josef Bättig	La Genevoise
	Members	Marco Baur	Generali Gruppe
		Andreas Bucher	Allianz Suisse
		Donald Desax	Helvetia Patria
		Ruedi Hefti	Winterthur Leben
		Franz-Josef Kaltenbach	Basler Versicherungen
		Antimo Peretta	Rentenanstalt/Swiss Life
		Dr. Anton Peter	Schweizerische National Leben
		Jean-Michel Waser	Groupe Vaudoise Assurances
		Hans Weber	Pax Leben
		Peter Zutter	Swiss Re

Medical/Accident Committee	**Chairman**	Martin Bründler	Winterthur Versicherungen
	Members	Beat Bär	Zürich Schweiz
		Vittorio Gallo	Allianz Suisse
		Dr. Rudolf Haberthür	Schweizerische National
		Bruno Kuhn	Die Mobiliar
		Philippe Limat	Basler Versicherungen
		Dr. Philippe Regazzoni	Swiss Re
		Charles Relecom	La Suisse Assurances
		Jean-C. Visinand	Groupe Vaudoise Assurances

Loss Committee	**Chairman**	Bruno Schiess	Zürich Schweiz
	Members	Hans Akeret	Winterthur Versicherungen
		Gerhard Berchtold	Allianz Suisse
		Dr. Ruedi Kellenberger	Basler Versicherungen
		Rolf Kielholz	Alpina Versicherungen
		Alfred Leu	Generali Gruppe
		Hans-Peter Purtschert	Schweizerische National
		Charles Relecom	La Suisse Assurances
		Peter Schmid	Swiss Re
		Hermann Sutter	Helvetia Patria
		Christian Wegmüller	Die Mobiliar
		Yves Zaugg	Groupe Vaudoise Assurances
Management Board		Lucius Dürr	SIA Director
		PD Dr. Roland A. Müller	Head of the Personal Insurance Unit
		Dr. Max Gretener	Head of the Indemnity Insurance Unit
		Bruno Zeltner	Head of the Economy and Financial Affairs Unit
		Jürg Waldmeier	Head of the Law Unit
		Lucius Dürr	Head of the Communications Unit
		Norbert Hochreutener	Public Affairs
		Margrit Thüler	Communications
Audit Body		PricewaterhouseCoopers, Zürich	

Annual General Meeting

Executive Board/Board Committee
Dr. Hansjörg Frei *

SIA Head Office, Zurich

Committees

Life Committee
Josef Bättig, Genfer

Medical/Accident Committee
Martin Bründler, Winterthur

Loss Committee
Bruno Schiess, Zürich

Commissions

Social Affairs
Dr. Markus Escher, La Suisse

Taxation
Hans-Peter Conrad, Swiss Life

Technology
Dr. Marc Chuard, Zürich

Legal Affairs
PD Dr. Stephan Fuhrer, Basler

Medical Relations
Josef Kreienbühl, Pax

Self-Regulation Organization SRO Chairman
Josef Bättig, Genfer

Money Laundering Commission
Eugen Müller, Swiss Life

Law and Social Policy
Peter Schürch, Generali

Technology
Andri Gross, Zürich

Prevention
Richard Lüthert, Winterthur

Compulsory Accident Insurance, FL
Kurt Keller, Zürich

Property Insurance
Bruno Spicher, Mobiliar

Liability Insurance
Volker Fuhlrott, Zürich

Motor Insurance
Manuel Kunz, Allianz

Technical Insurance
Philipp Oesch, National

Transport Insurance
Erich Schellenberg, Allianz

Legal Protection
Max Plattner, Assista

Loss Directors
Dr. Werner Hagmann, Helvetia Patria

Statistics
Dr. Walter Thöni, Zürich

Insurance Fraud
Werner Kaderli, Zürich

International Affairs
vacant

Communications
Dr. Hansjörg Leibundgut, Allianz

Taxation
Dr. Irene Salvi, Swiss Re

Law
Thomas Lörtscher, Swiss Re

Accounting
Jürg Hauswirth, Zürich

Human Resources and Training
Urs Berger, Mobiliar

Field Service and Marketing
André Blanchard, Mobiliar

Investment, Financial and Monetary Issues
Martin Wenk, Basler

Environment/Energy
Rudolf Sollberger, Basler

* until 11th June 2003

SIA Head Office

HO Manager, Mgt. Bd. Chairman

Lucius Dürr

Head Office Management

Simone Hirt
- Project Management

Guy Bär
- Support of the Chairman
- Board Meetings
- Annual Report
- Annual General Meeting

Units

Personal Insurance

Roland A. Müller, Mgt. Bd. Mem.

Daniela Wagner
Beatrice Hummel
- Secretaries

Roland A. Müller, Mgt. Bd. Mem.
- Social Security
- Public Health
- Self-Regulation Organization (SRO)
- Money Laundering

Thomas Mattig
- Health/Accident Insurance
- Prevention

Bruno Soltermann
- Medical Director

Valeria Schellenberg-Baronio
- Medical Fees/Healthcare Rates

Jörg Kistler
- Life Insurance

Indemnity Insurance

Max Gretener, Mgt. Bd. Mem.

Mariuccia Döbeli-Rizzi
Beatrice Hummel
- Secretaries

Max Gretener
- Property Insurance
- Storm & Tempest Pool
- Earthquake Syndicate

Mathias C. Berger
- Legal Protection Insurance
- Statistics
- Storm & Tempest Pool Earthquake Syndicate

Urs Siegenthaler
- Insurance Fraud
- Motor Insurance

Hans Zutter
- Technical Insurance
- Transport Insurance

Economy and Financial Affairs

Bruno Zeltner, Mgt. Bd. Dty. Ch.

Stefania Montefiori
- Management Assistant Pension Fund

Carmen Zinner-Lang
Monika Kac
- Secretaries

Bruno Zeltner
- General Economic Issues
- Bilateral Treaties I and II
- Employer Policy
- Education and Training
- Marketing

Guy Bär
- Financial, Investment and Monetary Issues
- International Economic Developments
- Environment/Energy
- OECD

Peter Bischofberger
- Tax Issues
- Fiscal Policy

Bruno Baur
Reingard Wirlitsch
- Finance and Accounting
- Administration/IT

Daniela Wagner
- Reception/Switchboard/ Documentation/Materials/ Maintenance/Archives

Law

Jürg Waldmeier, Mgt. Bd. Mem.

Esther Hirschi
- Secretary/Assistant

Jürg Waldmeier
- Financial Market Oversight
- International Affairs
- Projects

Mate Soso
- Liability Law
- WTO/GATS
- Indemnity Law

Franziska Streich
- Insurance Contract Law
- Data Protection
- Consumer Protection Law
- Competition Law
- Intellectual Property Law

Tanja Wilke
- Accounting, Auditing and Reporting
- E-Commerce/Extranet
- Insurance Oversight Law

Communications/Public Affairs

Lucius Dürr, HO Manager, Mgt. Bd. Ch.

Norbert Hochreutener, Mgt. Bd. Mem.
- Public Affairs

Karin Rubin
- Secretary

- Political Contacts and Information
- Government
- Parliament
- Federal Administration

Margrit Thüler, Mgt. Bd. Mem.
- Communications

Heidi Schlaepfer
- Secretary

Ursi Sydler
Beat Krieger
Stefan Plozza
- External Communications
- Internal Communications
- Information Service
- Extranet/Internet
- Events
- Publications

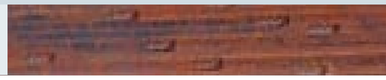
Mgt. Bd. Dty. Ch. – Deputy Chairman of the Management Board
Mgt. Bd. – Management Board
Mgt. Bd. Mem. – Management Board Member
HO – Head Office

Alba Allgemeine Versicherungs-Gesellschaft, Basel
Alea Europe AG, Basel
Allianz Suisse Leben, Zürich
Allianz Suisse Versicherungs-Gesellschaft, Zürich
Alpina Versicherungs-Aktiengesellschaft, Zürich
Appenzeller Versicherungen, Appenzell
Assista tcs SA, Vernier
AXA Compagnie d'assurances, Lausanne
AXA Compagnie d'assurances sur la vie, Lausanne
Basler Lebens-Versicherungs-Gesellschaft, Basel
Basler Versicherungs-Gesellschaft, Basel
CAP Rechtsschutz Versicherungsgesellschaft AG, Zug
Chubb Insurance Company of Europe S.A., Zürich
Converium AG, Zürich
Coop Allgemeine Versicherung AG, Wallisellen
Coop Rechtsschutz, Aarau
CSS Versicherung AG, Luzern
DAS Protection Juridique SA, Lausanne
Emmentalische Mobiliar-Versicherungs-Gesellschaft, Konolfingen
Epona Société mutuelle d'assurances générale des animaux, Lausanne
Europäische Reiseversicherungs AG, Basel
Europäische Rückversicherungs-Gesellschaft in Zürich, Zürich
Fortuna Rechtsschutz-Versicherungs-Gesellschaft, Adliswil
GAN Incendie Accidents Compagnie française d'assurances et de réassurances incendie, accidents et risques divers, Pully
Garanta (Schweiz) Versicherungs AG, Basel
Generali Assurances Générales, Genève
Generali Personenversicherungen, Adliswil
Gerling Globale Rückversicherung AG, Zug
Groupe Mutuel Vie GMV SA, Martigny
HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Zürich
Helsana Unfall AG, Zürich
Helvetia Schweizerische Versicherungsgesellschaft, St. Gallen
Império SA, Lausanne
Inter Partner Assistance, Société Anonyme, Bruxelles, Genève
La Genevoise, Compagnie d'Assurances sur la Vie, Genève
La Genevoise, Compagnie générale d'Assurances, Genève
La Suisse, Société d'assurances contre les accidents, Lausanne
La Suisse, Société d'assurances sur la vie, Lausanne
Mannheimer Versicherung AG (Schweiz), Zürich
Nouvelle Compagnie de Réassurances, Genève
Orion Rechtsschutz-Versicherungsgesellschaft, Basel
Patria Schweizerische Lebensversicherungs-Gesellschaft, Basel

Pax, Schweizerische Lebensversicherungs-Gesellschaft, Basel
Phenix Compagnie d’assurances, Lausanne
Phenix Compagnie d’assurances sur la vie, Lausanne
Protekta, Rechtsschutz-Versicherung AG, Bern
Providentia Société Suisse d’Assurances sur la Vie Humaine, Nyon
Rentes Genevoises, Genève
Retraites Populaires, Lausanne
Schweizerische Hagel-Versicherungs-Gesellschaft, Zürich
Schweizerische Lebensversicherungs- und Rentenanstalt, Zürich
Schweizerische Mobiliar Versicherungsgesellschaft, Bern
Schweizerische National-Versicherungs-Gesellschaft, Basel
Schweizerische National Leben AG, Bottmingen
Schweizerische Rückversicherungs-Gesellschaft, Zürich
Securitas Bremer Allgemeine Versicherungs AG, Zürich
Skandia Leben AG, Zürich
TSM, Compagnie d’Assurances Transports, La Chaux-de-Fonds
Turegum Versicherungsgesellschaft AG, Zürich
UBS Life AG, Zürich
UNIQA Assurances SA, Genève
Vaudoise Générale, Compagnie d’Assurances, Lausanne
Vaudoise Vie, Compagnie d’Assurances, Lausanne
Winterthur 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 corporate names are not always identical to the trading names of the companies or groups because membership in the Swiss Insurance Association is based on legal relations.

(Status as of 31 March 2003)



ASA | SVV

ASA | SVV

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