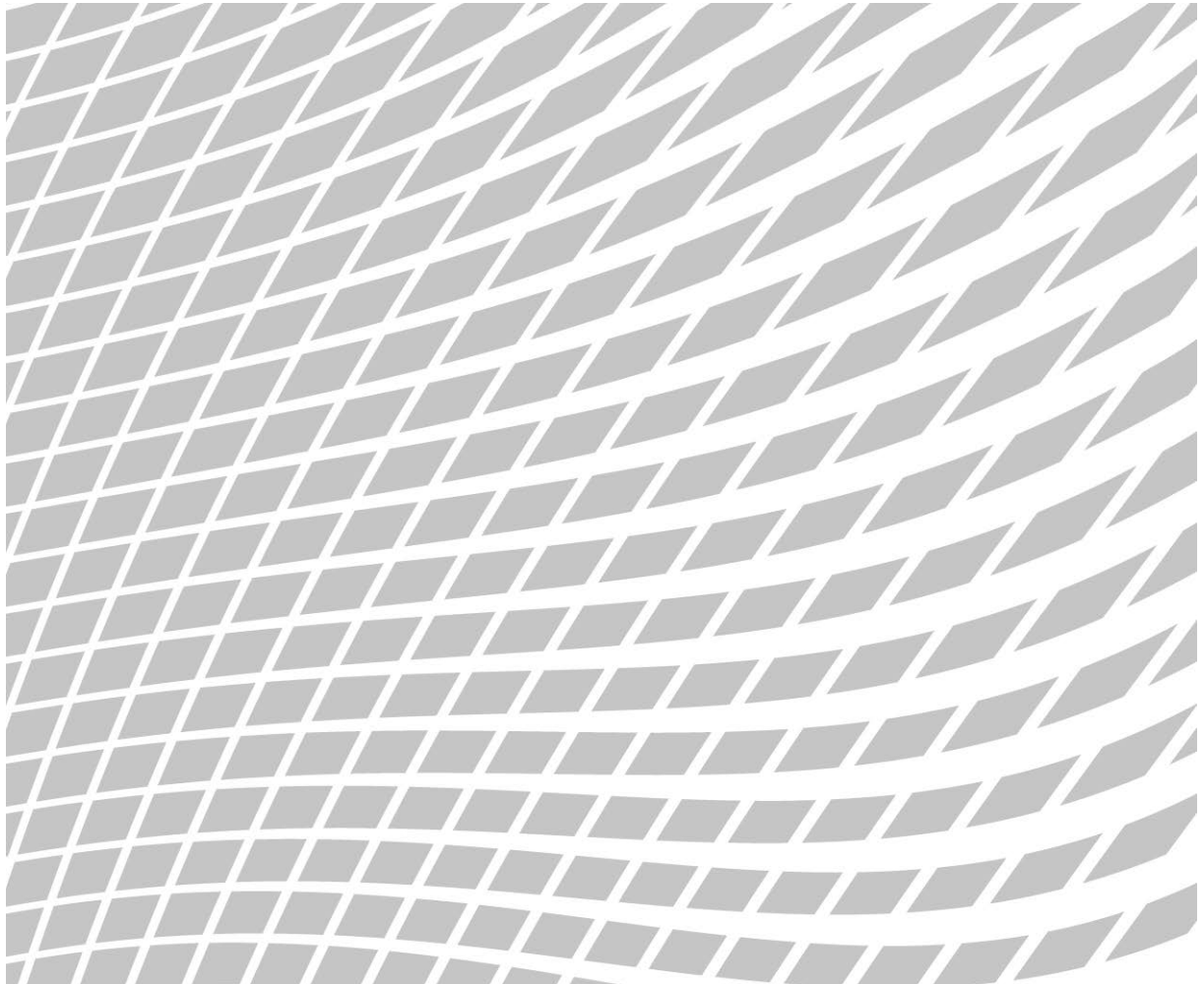


1 September 2015

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## Insurance market report 2014

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This report provides an overview of the Swiss insurance market in 2014. It comprises four sections: the first section provides information about the market as a whole, while sections 2, 3 and 4 focus on the life, non-life and reinsurance sectors.

FINMA verifies and compiles the information and data it receives from the insurance companies about the insurance market and includes them in this report. FINMA does not, however, guarantee the accuracy of the figures.

## 1 Market overview

### 1.1 Number of institutions by sector

	Insurance companies domiciled in Switzerland	Branches of foreign insurance companies	Total
At the end of 2014 (at the end of 2013)			
Life insurance companies	18 (19)	3 (4)	21 (23)
Supplementary health insurance companies	22 (20)	1 (1)	23 (21)
Non-life insurance companies	57 (60)	47 (43)	104 (103)
Reinsurance companies	29 (28)	– (–)	29 (28)
Reinsurance captives	33 (34)	– (–)	33 (34)
<b>Total number of insurance companies under supervision</b>	<b>159 (161)</b>	<b>51 (48)</b>	<b>210 (209)</b>

Not included in the above table are general health insurance companies of which there were 14 on 31 December 2014. They are supervised by the Swiss Federal Office of Public Health (FOPH), but are also subject to FINMA supervision for their ICA (Insurance Contract Act) business (supplementary health insurance). The table also does not include the following seven insurance companies that were under FINMA group supervision at the end of 2014:

- Bâloise Holding AG
- Helvetia Holding AG
- Schweizerische Mobiliar Holding AG
- Swiss Life Holding
- Swiss Re AG
- Vaudoise Versicherungen Holding AG
- Zurich Insurance Group AG.

## 1.2 Overview of balance sheets and income statements for the market as a whole

The figures in the tables below include all solo insurers operating in the life, non-life and reinsurance sectors. They have been prepared on a statutory basis, and any changes in the values of assets and liabilities generally do not correspond to market value adjustments. Most asset classes are shown at historical cost, e.g. equities are shown at their lowest historical values based on the lower of cost or market principle. Bonds are shown at amortised cost, which means the carrying values are not sensitive to interest rates. On the liabilities side, technical provisions for life insurance companies are discounted with technical interest rates and not with the prevailing market yield curve. Provisions for non-life insurance companies are generally undiscounted, while accident insurance (UVG) has been specifically excluded.

Aggregated information on balance sheets and income statements, on the Swiss Solvency Test (SST) and on Solvency I contains only the values for solo insurance companies subject to FINMA supervision. The data on tied assets and premiums also include the figures for FINMA-supervised Swiss branches of foreign insurance companies and general health insurance companies in the supplementary health insurance sector.

<b>Market as a whole</b>	<b>2013</b>	<b>2014</b>
<i>Figures in CHF 1,000s</i>		
<b>Balance sheet total</b>	<b>609,701,251</b>	<b>649,353,792</b>
<b>Assets</b>		
<b>Investments<sup>1</sup></b>		
Real estate, buildings under construction and building land	8%	8%
Participations	11%	11%
Fixed-income securities	53%	52%
Loans and debt register claims	4%	4%
Mortgages	6%	6%
Equities and similar investments	3%	3%
Collective investments	6%	7%
Alternative investments	2%	2%
Net derivatives position <sup>2</sup>	0%	0%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	3%	3%
Liquid assets	3%	3%
<b>Total investments for own account</b>	<b>510,875,294</b>	<b>536,880,945</b>
Investments from unit-linked life insurance	16,882,148	17,714,334
<b>Total investments</b>	<b>527,757,442</b>	<b>554,595,279</b>
Receivables from insurance activities	43,125,045	49,551,176
Receivables from investment activities	1,472,750	1,705,907
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	23,014,355	25,494,046
Accruals	11,067,393	12,224,769
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>76,274,166</b>	<b>80,964,143</b>
<b>Hybrid capital</b>	<b>21,653,931</b>	<b>23,078,689</b>
<b>Financial debt</b>	<b>16,123,477</b>	<b>15,542,259</b>
<b>Insurance technical liabilities</b>	<b>435,607,976</b>	<b>458,198,874</b>
Liabilities from insurance activities	20,202,637	22,313,878
Liabilities from investment activities <sup>3</sup>	2,888,750	4,245,220
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	24,228,237	28,766,938
Accruals	9,457,811	10,461,176

<sup>1</sup> Percentages are based on total investments for own account.

<sup>2</sup> Including credits and liabilities from derivative financial instruments.

<sup>3</sup> Excluding liabilities from derivative financial instruments.

<b>Market as a whole</b>	<b>2013</b>	<b>2014</b>
<i>Figures in CHF 1,000s</i>		
<b>Annual profit</b>	<b>12,442,250</b>	<b>12,784,603</b>
<b>Premiums <sup>4</sup></b>		
<b>Gross premiums booked</b>	<b>123,275,689</b>	<b>124,282,844</b>
<i>Reinsurers' portion</i>	<i>13,710,985</i>	<i>13,053,611</i>
<b>Net return from investments</b>		
Direct earnings from investments	20,035,550	16,974,240
Realised gains/losses	3,754,964	1,866,954
Write-ups/write-downs on investments	-4,265,808	1,333,905
Expenses for the administration of investments	1,130,424	1,107,003
<b>Total gains / losses from investments</b>	<b>18,394,282</b>	<b>19,068,096</b>
<b>Return on investments <sup>5</sup></b>	<b>3.64%</b>	<b>3.64%</b>
<b>SST <sup>6</sup></b>		
Target capital	96,794,078	106,662,760
Risk-bearing capital	186,933,305	196,832,798
<b>Solvency ratio</b>	<b>193%</b>	<b>185%</b>
<b>Solvency I</b>		
Total required solvency margin	27,547,267	28,537,211
Total available solvency margin	95,823,068	103,267,817
<b>Solvency ratio</b>	<b>348%</b>	<b>362%</b>
<b>Tied assets <sup>4</sup></b>		
Total required value	314,426,554	327,470,918
Total cover values	345,939,684	359,818,155
<b>Coverage ratio</b>	<b>110%</b>	<b>110%</b>

<sup>4</sup> Including foreign branches in Switzerland and health insurance funds.

<sup>5</sup> Based on average investments held for own account.

<sup>6</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.

Temporary adjustments (FINMA Circular 13/2) have been taken into account.

## 1.3 Investments

### 1.3.1 Total assets invested

Capital allocation shown in the following two tables represents total investments made by insurance companies subject to FINMA supervision as institutions. Holdings in foreign subsidiaries are included in the parent company's structures. Investments made by Swiss branches of foreign insurance companies and by general health insurance companies (supplementary health insurance), however, are not included.

Compared with 2013, total investments made by Swiss insurance companies increased by 5.1% in 2014. Investments on own account by life insurance companies increased by 4%. Non-life insurance companies grew by 6.6%. Capital allocation in the life and non-life sectors mainly remained steady in 2014. Despite the low-interest environment, fixed-interest securities continue to be the most important asset class in the portfolios of Swiss insurance companies: as in 2013, they made up for 61% of all investments in life insurance and 38% in non-life insurance (down by 2% on the previous year). The share of real estate and mortgages (21% of total investments on own account in life insurance and 8% in non-life insurance) also remained unchanged. Exposure in equities and alternative investments was also virtually unchanged against the previous year and remains at very low levels. Investments made by reinsurers went up by 6.6% from the previous year.

	31.12.2013	31.12.2014
Return on investments for the whole market	3.64%	3.64%
Return on investments for life	3.30%	3.29%
Return on investments for non-life	3.95%	4.24%
Return on investments for reinsurance	4.79%	3.87%

In 2014, the return on average allocated capital achieved by life insurance companies was 3.29%, practically the same as the previous year, while that of non-life insurance companies went up by 29 basis points (4.24%). In contrast with 2013, the increased return on allocated capital in non-life insurance in 2014 is mainly owing to unrealised gains on participations and fixed-interest securities. The return on investments for reinsurance companies fell by 44 basis points to 3.87% in 2014, which was largely due to a reduction in direct earnings from participations.

### 1.3.2 Investments in tied assets

Capital allocation in tied assets on 31 December 2013 and 31 December 2014 was as follows:

	Life 31.12.2013	Life 31.12.2014	Non-life 31.12.2013	Non-life 31.12.2014
Real estate, buildings under construction and building land	14%	14%	11%	11%
Participations	1%	1%	0%	0%
Fixed-income securities	62%	62%	56%	54%
Loans and debt register claims	3%	2%	2%	2%
Mortgages	9%	9%	6%	6%
Equities and similar investments	2%	3%	6%	7%
Collective investments	2%	3%	8%	10%
Alternative investments	2%	2%	2%	3%
Net derivatives position	1%	0%	0%	0%
Time deposits and other money market investments	0%	0%	2%	1%
Receivables from reinsurance companies	0%	0%	2%	2%
Other investments	2%	2%	1%	1%
Liquid assets	2%	2%	4%	3%
<b>Total investments for own account</b>	<b>262,933,976</b>	<b>274,760,854</b>	<b>66,975,073</b>	<b>68,293,853</b>

At the end of 2014, Swiss insurance companies held CHF 343 billion in tied assets in their portfolios, while an additional CHF 17 billion was in investments in unit-linked life insurance investments.

Life insurance companies had 90% (unchanged from the previous year) of all investments aggregated across all insurance companies (86% of net assets; unchanged from the previous year) invested in tied assets at the end of 2013; in the case of non-life insurance companies, it was 47% (down 2% from the previous year) of investments (42% of net assets; down 2% from the previous year).

Life insurance companies invested 85% (unchanged compared with the previous year) and non-life insurance companies also invested an equally high amount (73%; down 2% from the previous year) of their tied assets in the three asset classes: bonds, real estate and mortgages.



## 2 Life insurance companies

Life insurance companies	2013	2014
<i>Figures in CHF 1,000s</i>		
<b>Balance sheet total</b>	<b>321,684,879</b>	<b>337,650,581</b>
<b>Assets</b>		
<b>Investments <sup>1</sup></b>		
Real estate, buildings under construction and building land	12%	12%
Participations	2%	2%
Fixed-income securities	61%	61%
Loans and debt register claims	4%	4%
Mortgages	9%	9%
Equities and similar investments	2%	2%
Collective investments	4%	4%
Alternative investments	1%	2%
Net derivatives position <sup>2</sup>	1%	0%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	1%	1%
Liquid assets	2%	2%
<b>Total investments for own account</b>	<b>292,948,122</b>	<b>304,574,597</b>
Investments from unit-linked life insurance	16,871,305	17,703,491
<b>Total investments</b>	<b>309,819,427</b>	<b>322,278,089</b>
Receivables from insurance activities	1,983,203	2,395,528
Receivables from investment activities	231,636	455,015
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	2,261,333	2,824,844
Accruals	6,203,022	5,927,077
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>15,279,339</b>	<b>15,968,758</b>
<b>Hybrid capital</b>	<b>5,865,671</b>	<b>5,874,021</b>
<b>Financial debt</b>	<b>690,629</b>	<b>670,800</b>
<b>Insurance technical liabilities</b>	<b>280,009,392</b>	<b>290,195,023</b>
Liabilities from insurance activities	7,057,958	7,307,941
Liabilities from investment activities <sup>3</sup>	1,377,209	2,458,876
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	6,926,521	7,849,913
Accruals	3,291,903	3,555,219

<sup>1</sup> Percentages are based on total investments for own account.

<sup>2</sup> Including credits and liabilities from derivative financial instruments.

<sup>3</sup> Excluding liabilities from derivative financial instruments.

Life insurance companies	2013	2014
<i>Figures in CHF 1,000s</i>		
<b>Annual profit</b>	<b>1,509,853</b>	<b>1,244,739</b>
<b>Premiums <sup>4</sup></b>		
<b>Booked gross premiums</b>	<b>35,115,846</b>	<b>34,879,564</b>
<i>Reinsurers' portion</i>	<i>305,352</i>	<i>272,499</i>
<b>Net return from investments</b>		
Direct earnings from investments	9,308,739	9,449,186
Realised gains/losses	2,057,202	-6,125
Write-ups/write-downs on investments	-1,240,983	1,008,195
Expenses for the administration of investments	608,037	621,523
<b>Total gains / losses from investments</b>	<b>9,516,921</b>	<b>9,829,733</b>
<b>Return on investments <sup>5</sup></b>	<b>3.30%</b>	<b>3.29%</b>
<b>SST <sup>6</sup></b>		
Target capital	32,978,720	33,639,433
Risk-bearing capital	50,440,310	50,172,579
<b>Solvency ratio</b>	<b>153%</b>	<b>149%</b>
<b>Solvency I</b>		
Total required solvency margin	11,610,052	12,049,452
Total available solvency margin	34,894,242	38,374,125
<b>Solvency ratio</b>	<b>301%</b>	<b>318%</b>
<b>Tied assets <sup>4</sup></b>		
Total required value	263,859,060	275,041,169
Total cover values	278,953,768	291,512,698
<b>Coverage ratio</b>	<b>106%</b>	<b>106%</b>

<sup>4</sup> Including foreign branches in Switzerland.

<sup>5</sup> Based on average investments held for own account.

<sup>6</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.

Temporary adjustments (FINMA Circular 13/2) have been taken into account.

<sup>7</sup> Available solvency margin includes eligible hidden reserves of CHF 12,025,249 (2013) and

14,821,678 (2014), hybrid capital of CHF 3,032,570 (2013) and 3,126,153 (2014).

Developments in the financial market have posed enormous problems for life insurance companies. Generally, their products come with very long maturities and guarantees and, in particular, interest rate guarantees. On the other hand, there were very few secure investment opportunities – for instance, the yield on ten-year Confederation bonds has been declining for years and currently remains at historic low levels, a trend that also affected the SST ratios. On 1 January 2012, the average value of SST ratios of life insurance companies had dropped to 105%. By 1 January 2014, they had managed to improve it to 153%. The improvement can be attributed to measures aimed at increasing capital and

minimising risk, as well as to temporary adjustments (FINMA Circular 2013/2). In 2014, the SST ratio remained steady and was at 149% on 1 January 2015.

Assets of life insurance companies used to cover liabilities arising from life insurance contracts must be secured by tied assets, whereby the total target amount from such contracts, plus a safety margin of 1%, must be fully covered at all times. Meeting obligations from insurance contracts takes precedence over any claims by third parties. Moreover, there are strict rules for investments in tied assets regarding permitted asset classes, as well as risk diversification and risk management. The cover ratios indicate that assets needed to cover the total target amount were on average 6% above the statutorily prescribed level at the end of 2014. This comes to CHF 16 billion for a target amount of CHF 275 billion in insurance obligations. The degree of security offered by the institution holding the tied assets – in connection with a strict principle of prudence for evaluating insurance obligations and a risk-based solvency regime – must be one of the highest worldwide.

## 2.1 Premium trends

<b>Gross premiums booked</b> <i>Figures in CHF 1,000s</i>	<b>2013</b>	<b>2014</b>	<b>Per-centage share 2014</b>	<b>Change in % since previous year</b>
Group life occupational pension schemes	24,321,259	24,670,492	70.7%	1.4%
Classical individual capital insurance	4,497,053	4,904,690	14.1%	9.1%
Classical individual annuity insurance	559,900	438,647	1.3%	-21.7%
Unit-linked life insurance	1,584,749	1,555,805	4.5%	-1.8%
Life insurance linked to internal investment positions	816,173	171,746	0.5%	-79.0%
Capitalisation and tontines	419,361	403,853	1.2%	-3.7%
Other life insurance segments	448,642	475,737	1.4%	6.0%
Individual life insurance not proratable on the branches	-	-	-	-
Health and casualty insurance	5,893	5,449	0.0%	-7.5%
Foreign branches	1,962,847	1,792,342	5.1%	-8.7%
Reinsurance accepted	499,968	460,803	1.3%	-7.8%
<b>Total</b>	<b>35,115,846</b>	<b>34,879,564</b>	<b>100.0%</b>	<b>-0.7%</b>

Overall, the premium income of life insurance companies declined slightly by CHF 236 million following an increase of CHF 1,632 million in 2013. This is owing to a branch of Lombard International, a Luxembourg-based life insurance company, being released from supervision. In the “Life insurance linked to internal investment positions” sector, Lombard International accounted for CHF 493 million in 2013. “Group life occupational pension schemes” and “Classical individual capital insurance” sectors, however, increased considerably from CHF 350 to CHF 407 million, while the decline in annuity insur-

ance (down by CHF 121 million) could not be halted. Whereas growth in the “Group life occupational pension sector” is primarily attributable to savings premiums for retirement savings and one-off premiums for vested benefits policies, growth in “Classical individual capital insurance” is most likely owing to the long-term, substantial interest rate guarantees life insurance companies are offering in this sector.

The year-on-year premium volume in the “Group life occupational pension” sector as a growing share of total business volume (2014: 70.7%, 2013: 69.3%; 2012 and 2011: 67.3%; 2010: 63.5%; 2009: 61.4%) underscores the significance of Pillar 2 not only for Swiss life insurance companies, but also for small and medium-sized enterprises (SMEs), which are generating demand for risk-proof full value insurance models in the occupational pensions sector. Life insurance companies thus operate in a strongly regulated and politically sensitive field of social insurance. Based on its statutory mandate, FINMA's activities must ensure that these pension assets are fully protected.

Distribution of life insurance policies in the private pensions sector (Pillars 3a and 3b) has declined enormously in all product categories. The reason for this is low interest rates, which have declined by over 250 basis points since 2008 and continue to remain at low levels. Although life insurance companies are attempting to counter this trend by launching innovative savings products, they have not been entirely successful because they first and foremost have to protect the assets they hold and the persistently low interest rates no longer allow for interest rate guarantees.

## 2.2 Market shares in direct Swiss business

Insurance companies	2013		2014	
	Market share	Cumulative market share	Market share	Cumulative market share
Swiss Life	26.3%	26.3%	29.1%	29.1%
Axa Leben	30.1%	56.4%	28.3%	57.4%
Helvetia Leben	10.9%	67.3%	10.6%	68.0%
Basler Leben	9.2%	76.5%	9.7%	77.7%
Allianz Suisse Leben	6.0%	82.5%	6.2%	83.9%
Zürich Leben	5.2%	87.7%	5.0%	88.9%

The six largest life insurance companies expanded again in different directions in the direct Swiss business. While market leader AXA Life is very cautious about offering full insurance in the “Group life occupational pension” sector and has an increasing preference for contracts without any savings process and conversion rate for retirement pensions, Swiss Life has absorbed any freed-up capacity in full insurance, assuming the role of new market leader. The market share of the other four insurance companies listed in the table above remained stable.

The now only 15 smaller life insurance companies made up the remaining portion of 11% (2013: 12%; 2012 and 2011: 13%; 2010: 17%). In 2014, Lombard International, a Luxembourg-based life insurance company, closed its branch office in Switzerland, while in 2015, National Swiss Life (Schweizerische National Leben) will merge with Helvetia Life.

## 2.3 Actuarial reserves

Gross actuarial reserves <i>Figures in CHF 1,000s</i>	2013	2014	Share in 2014	Change in % since previous year
Group life occupational pension schemes	139,858,153	147,323,539	57.2%	5.3%
Classical individual capital insurance	50,691,092	50,896,489	19.7%	0.4%
Classical individual annuity insurance	18,498,375	17,795,363	6.9%	-3.8%
Unit-linked life insurance	14,698,741	15,534,387	6.0%	5.7%
Life insurance linked to internal investment positions	4,900,468	1,140,944	0.4%	-76.7%
Capitalisation and tontines	1,906,909	2,227,888	0.9%	16.8%
Other insurance segments	3,697,641	3,535,684	1.4%	-4.4%
Foreign branches	18,666,900	18,684,190	7.2%	0.1%
Reinsurance accepted	383,513	605,432	0.2%	57.9%
<b>Total</b>	<b>253,301,791</b>	<b>257,743,916</b>	<b>100.0%</b>	<b>1.8%</b>

Actuarial reserves are a valuation of insurance obligations for each insured person individually and are based on conservative accounting standards. It must be recognised as the main component of underwriting liabilities when preparing the balance sheet and establishing tied assets (2014: CHF 290.2 billion; 2013: CHF 280 billion; 2012: CHF 270.9 billion).

Total actuarial reserves of all insurance sectors in 2014 indicate growth of 1.8% (3.3% in previous year), taking into account the continuing challenging market conditions.

Following a year of stabilisation at a low level, actuarial reserves in “Classical individual life insurance” (primarily endowment, pension and disability insurance) continued to decline, in particular in individual annuity insurance and other insurance sectors. The acquisition of new funds and the resulting growth in actuarial reserves in “Classical individual life insurance” thus remain very modest for as long as interest rates stay at their current low levels. While in this sector more contracts with higher interest rate guarantees are expiring, market interest rates have constantly dropped more rapidly than the interest rate guarantees on the liabilities side. Life insurance companies are therefore forced to allow for an increase in actuarial reserves in business written in the “Classical individual life insurance” sector which must be financed by current income.

The continuing rise in markets led to a further increase in actuarial reserves of current unit-linked life insurance in 2014 (up 5.7%). Capitalisation business again increased significantly by 17%. This was largely because high net-worth individuals were asking for insurance products as a means of protecting their assets.

## 2.4 Underwriting result

Life insurance: income statement for 2014 <i>(including Swiss branches of foreign insurance companies)</i>	All business	Swiss business				Foreign business	
	A	B	C	D	E	F	G
	Occupa- tional pensions		Other Swiss business		Classical individual life insurance	Unit- linked life insurance	
<i>Figures in CHF 1,000s</i>	A = B + G	B = C + D	D = E + F				
Underwriting income	34,632,442	32,915,484	24,607,501	8,307,983	6,577,324	1,730,659	1,716,958
Claims paid out	-29,529,423	-27,841,141	-19,036,377	-8,804,594	-7,368,529	-1,436,065	-1,688,282
Change in technical provisions (- = increase)	-10,695,441	-10,196,913	-9,524,304	-673,041	46,498	-719,539	-498,528
Gains / losses from investments	11,076,045	10,096,618	5,358,487	4,738,131	3,557,142	1,180,989	979,427
Other income and costs for insurance activities	38,074	-1,534	37,219	-38,753			39,608
Costs for surplus participation	-1,345,413	-1,057,504	-808,330	-249,174			-287,909
Costs for underwriting and taxes	-2,851,783	-2,594,923	-815,340	-1,779,583			-256,860
Costs for financing activities	-298,563	-291,905	-3,543	-288,362			-6,658
Other income and costs	217,693	195,310	75,637	119,673			22,382
<b>Annual result</b>	<b>1,243,630</b>	<b>1,223,491</b>	<b>699,279</b>	<b>523,951</b>			<b>20,139</b>
in %	100%	98.4%	56.3%	42.1%			1.6%

Although life insurance companies achieved a good result on a statutory basis in 2014, earnings fell compared with the previous year. While the result for the occupational pensions sector improved slightly on that of the previous year, the result for private pensions (Pillars 3a and 3b), life insurance in general and foreign business went down. Despite the fact that underwriting income, claims paid out and expenses for insurance operations did not change significantly, and return on capital even went

up by 6%, earnings went down owing to the sharp increase in funds allocated to technical provisions. This effect can mainly be attributed to further declining interest rates in 2014, following stagnation in 2013. This resulted in a need to increase technical provisions because the underlying interest rates for calculating them had to be lowered further following a short stagnation. Currently, it is difficult to predict if this development can be halted in the foreseeable future.

In 2014, insurance claims payments (CHF 29.5 billion) remained stagnant at the same level as in 2013. An increase of CHF 450 million in the group insurance business of Pillar 2 made up for the decline in individual life insurance. Reference is made here to FINMA's annual disclosure report on the financial reporting of occupational pension schemes due to be published in September 2015. There was only minor change in underwriting income (2014: CHF 34.6 billion; 2013: CHF 34.8 billion), mainly attributable to premium income for the group insurance business of Pillar 2, which makes up 71% of the life insurance business.

Low interest rates led to only modest growth in the classical life insurance sector, which includes the categories endowment and annuity insurance. In the case of endowment insurance, life insurance companies guarantee the lump sum plus the interest due on death or maturity at a contractually agreed rate, while in the case of annuity insurance, they guarantee the contractually agreed pension until the person's death. The decline in unit-linked life insurance was also accentuated by the closure of a branch of a Luxembourg-based life insurance company (see section 2.1). Even foreign business declined noticeably.

After technical provisions did not require any strengthening following a slight shift in interest levels and a slight recovery in 2013, acceleration in the growth of technical provisions in 2014 (up 12% to CHF 10.7 billion) cannot be attributed to any specific reason. In the group occupational pensions business, the statutorily prescribed conversion rates for future retirements that will remain in effect for years to come, plus the large portfolio of current pensions, will continue to cause an ongoing need for additional funding. Furthermore, continued growth in this insurance sector since 2008 has created a need for additional reserves to be formed.

Investment income amounted to CHF 11.1 billion in 2014 (previous year CHF 10.5 billion), which comes to a book yield of (held at own risk) of 3.29% (2013: 3.3%; 2012: 3.62%). The book yield provides the basis for calculating surplus participation, which can be expected only on policies for which the guaranteed technical interest is significantly below the book yield.

Flow statistics for accumulated surplus funds of life insurance companies are as follows (in CHF billions):

<b>At the beginning of 2008</b>	<b>5.00</b>
Surplus participation to insured parties	-1.50
Allocation to surplus fund from the income statement	+0.60
Cover for operating deficit	-0.10
Equalisation of currency differences	-0.20

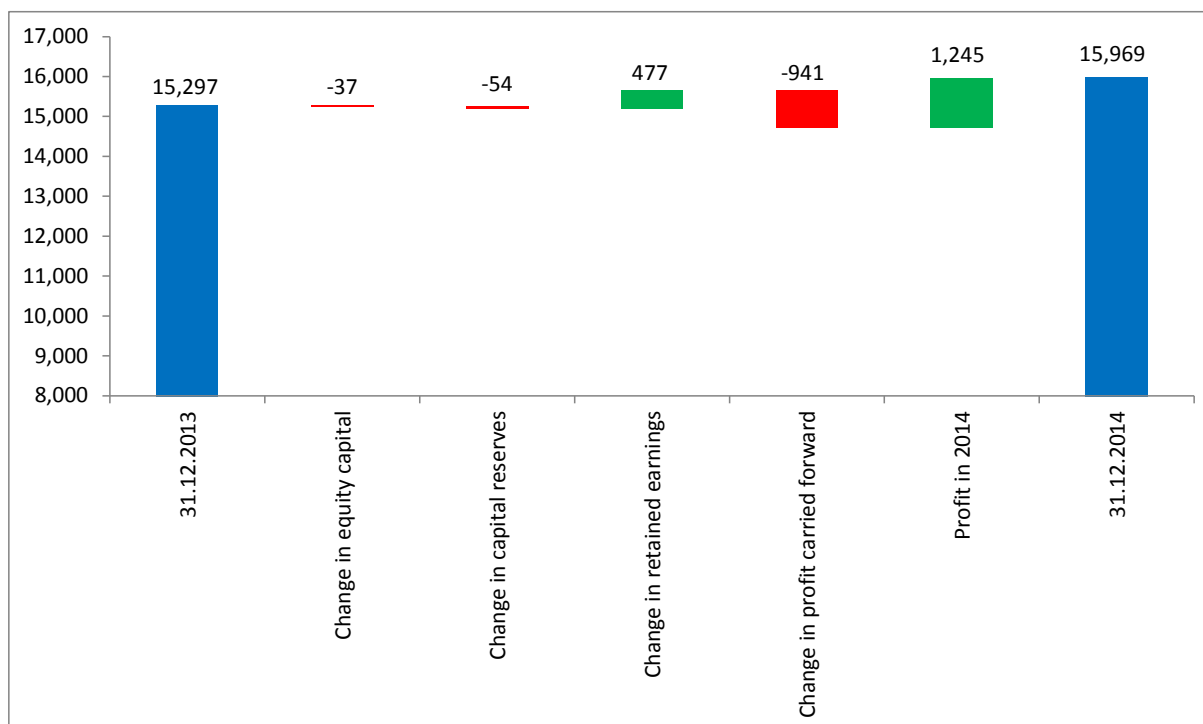


<b>At the end of 2008</b>	<b>3.80</b>
Surplus participation to insured parties	-1.06
Allocation to surplus fund from the income statement	+1.39
Equalisation of currency differences	-0.02
<b>At the end of 2009</b>	<b>4.11</b>
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.35
Equalisation of currency differences	-0.19
<b>At the end of 2010</b>	<b>3.88</b>
Surplus participation to insured parties	-1.39
Allocation to surplus fund from the income statement	+1.50
Equalisation of currency differences	-0.03
<b>At the end of 2011</b>	<b>3.96</b>
Surplus participation to insured parties	-1.30
Allocation to surplus fund from the income statement	+1.17
Equalisation of currency differences	-
<b>At the end of 2012</b>	<b>3.83</b>
Surplus participation to insured parties	-1.42
Allocation to surplus fund from the income statement	+1.23
Equalisation of currency differences	+0.01
<b>At the end of 2013</b>	<b>3.65</b>
Surplus participation to insured parties	-1.26
Allocation to surplus fund from the income statement	+1.23
Equalisation of currency differences	-0.02
<b>At the end of 2014</b>	<b>3.64</b>

The trend of the cumulated surplus fund since 2008 has clearly demonstrated the equalising function of the fund as an actuarial balance sheet position: Amounts allocated to policyholders in 2008, the year of the financial crisis, exceeded the amounts allocated from the income statement. In 2009, the opposite applies as markets had somewhat recovered. The following years saw a more balanced situation. Because of the decline in market interest rates in 2012, subsequent allocations from the income statement were lower than in the previous years. This led to a slight decline in the level of the cumulated surplus fund, a situation that is likely to continue for as long as low interest rates prevail.

## 2.5 Changes in equity capital

Changes in equity capital in 2014 in CHF million



The financial year 2014 was marked by a further drop in interest rates to historic low levels, following a minor recovery in 2013. After the interest rate for ten-year Swiss medium-term notes lost 244 basis points between 2008 and 2012 (from 3.04% at the beginning of 2008 to 0.6% at the beginning of 2012), it gained 65 basis points in 2013, ending at 1.25%. However, this rise could not be maintained in 2014 and had to be relinquished, losing 87 basis points and dropping to 0.38% as of 31 December 2014.

Interest rate trends are very important for life insurance companies because 60% of their investments are in fixed-interest securities. Although they managed to strengthen their equity base slightly in 2014, it will be difficult for life insurance companies to do so in the future owing to the trend towards erosion of direct investment income.

### **3 Non-life insurance companies**

The section on non-life insurance companies, including the figures illustrated below, applies to both non-life and supplementary health insurance companies under the Insurance Contract Act (ICA).

<b>Non-life insurance companies</b>	<b>2013</b>	<b>2014</b>
<i>Figures in CHF 1,000s</i>		
<b>Balance sheet total</b>	<b>153,952,478</b>	<b>166,758,329</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	5%	5%
Participations	25%	24%
Fixed-income securities	40%	38%
Loans and debt register claims	4%	4%
Mortgages	3%	3%
Equities and similar investments	3%	4%
Collective investments	6%	6%
Alternative investments	2%	2%
Net derivatives position <sup>1</sup>	0%	0%
Time deposits and other money markets investments	2%	2%
Policy loans	0%	0%
Other investments	6%	7%
Liquid assets	4%	5%
<b>Total investments</b>	<b>137,415,645</b>	<b>146,515,938</b>
Receivables from insurance activities	5,732,902	5,500,970
Receivables from investment activities	709,162	473,166
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	7,320,801	10,930,202
Accruals	1,896,525	2,741,346
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>34,694,823</b>	<b>38,135,050</b>
<b>Hybrid capital</b>	<b>8,816,275</b>	<b>9,857,859</b>
<b>Financial debt</b>	<b>11,556,334</b>	<b>9,610,022</b>
<b>Insurance technical liabilities</b>	<b>79,720,876</b>	<b>83,907,601</b>
Liabilities from insurance activities	3,106,268	3,327,911
Liabilities from investment activities <sup>2</sup>	259,808	765,941
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	9,734,376	15,045,847
Accruals	5,186,275	5,511,390

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Excluding liabilities from derivative financial instruments.

<b>Non-life insurance companies</b>	<b>2013</b>	<b>2014</b>
<i>Figures in CHF 1,000s</i>		
<b>Annual profit</b>	<b>6,787,305</b>	<b>6,982,989</b>
<b>Premiums <sup>3</sup></b>		
<b>Booked gross premiums</b>	<b>51,315,241</b>	<b>50,242,371</b>
<i>Reinsurers' portion</i>	<i>6,414,361</i>	<i>6,168,497</i>
<b>Net return from investments</b>		
Direct earnings from investments	5,443,425	5,123,370
Realised gains/losses	530,256	691,801
Write-ups/write-downs on investments	-419,768	449,456
Expenses for the administration of investments	227,362	244,127
<b>Total gains / losses from investments</b>	<b>5,326,551</b>	<b>6,020,501</b>
<b>Return on investments <sup>4</sup></b>		
	<b>3.95%</b>	<b>4.2%</b>
Loss ratio	58.0%	63.2%
Expense ratio	23.3%	26.0%
Combined ratio	81.3%	89.2%
<b>SST <sup>5</sup></b>		
Target capital	40,990,320	45,232,820
Risk-bearing capital	83,392,457	86,311,616
<b>Solvency ratio</b>	<b>203%</b>	<b>191%</b>
<b>Solvency I</b>		
Total required solvency margin	8,602,226	8,848,952
Total available solvency margin	36,567,566	40,336,858
<b>Solvency ratio</b>	<b>425%</b>	<b>456%</b>
<b>Tied assets <sup>3</sup></b>		
Total required value	50,567,494	52,429,749
Total cover values	66,985,916	68,305,457
<b>Coverage ratio</b>	<b>132%</b>	<b>130%</b>

<sup>3</sup> Including foreign branches in Switzerland and health insurance funds.

<sup>4</sup> Based on average investments held for own account.

<sup>5</sup> Information provided by insurance companies. Any corrections made by FINMA are not included.

Temporary adjustments (FINMA Circular 13/2) have been taken into account. The general health insurance company SWICA is also included.

The Swiss non-life insurance sector continues to remain sound and profitable. Both annual profits (up 2.9%) and equity capital (up 9.9% appropriation of profits) rose. Solvency is still strong: Solvency I at

456% and the SST ratio at 191% (somewhat lower owing to lower interest rates than in 2013) are well above the minimum required.

The entire premium volume fell slightly, mainly owing to the trends in active reinsurance at two reinsurance companies. Tough price competition in some sectors also contributed to this decline.

Claims payments and the strengthening of technical provisions increased compared with the exceptionally low level of claims in the previous year. This resulted - along with a decline in premiums - in considerable loss ratio deterioration (63.2%; previous year 58%). As the expense ratio had disimproved contrary to the long-term trend, the combined ratio increased sharply to 89.2% compared with the previous year. A value below 90% is still considered acceptable.

### 3.1 Premium trends in Swiss business

Gross premiums booked in Swiss direct business (in CHF 1,000), excluding reinsurance business assumed:

Direct business <i>Figures in CHF 1,000s</i>	Gross premiums booked		Percentage share 2014	Change in % since previous year
	2013	2014		
Health	9,667,201	9,629,455	36.7%	-0.4%
Fire / property	4,111,219	4,028,557	15.4%	-2.0%
Accident	2,929,986	2,920,776	11.1%	-0.3%
Motor vehicle (comprehensive)	3,028,758	3,099,787	11.8%	2.3%
Motor vehicle (liability)	2,742,721	2,759,894	10.5%	0.6%
Liability	1,948,444	1,933,750	7.4%	-0.8%
Marine, aviation, transport	432,465	413,186	1.6%	-4.5%
Legal expenses	492,193	527,299	2.0%	7.1%
Financial losses	335,470	384,472	1.5%	14.6%
Credit, surety	310,909	303,322	1.2%	-2.4%
Tourist assistance	206,523	218,616	0.8%	5.9%
<b>Total direct insurance</b>	<b>26,205,890</b>	<b>26,219,115</b>	<b>100.0%</b>	<b>0.1%</b>

Premium growth in direct Swiss business amounted to 0.1% in 2014 (previous year: 1.2%).

With respect to Health insurance, tariff reductions in supplementary hospital insurance schemes have largely resulted in a marginal decrease of 0.4% (2013: up 2.2% owing to tariff increases).

The reduction in the Fire / property insurance sector (including natural hazards) of 2% (2013: down 0.6%) is largely owing to premium erosion caused by increased international price pressure and a volume reduction in industry risks outside Switzerland for which business is written in Switzerland. Inland risk premiums alone went up by 1%, an increase to which natural hazards in particular contributed (up 2% on the previous year).

Accident insurance saw a consolidated decrease of 0.3% (2013: down 1.8%) in 2014. The ongoing, advanced premium erosion experienced in recent years was halted owing to pressure to build up additional reserves linked to modified actuarial assumptions (reduction in technical interest, introduction of generation tables).

Premium developments in Comprehensive insurance for motor vehicles and Liability insurance for motor vehicles can be attributed to the trends in this sector (percentage of new cars, category and model mix). The increase of 1.5% corresponds approximately to the rise in the number of motor vehicles. Owing to continuing intensive competition, trends in individual sectors were more moderate than in previous years: comprehensive insurance increased by 2.3% (2013: 3.3%), while liability insurance grew by 0.6% (2013: 0.8%).

Concerning pricing and terms, the Marine, aviation and transport sector is largely exposed to global competition, depending on national, as well as international, economic indicators. The negative premium development of 4.5% (2013: down 3.2%) reflects the decline in premiums in the international market and sluggish business activity in Europe and outside Switzerland.

The rise of 7.1% in the Legal protection insurance sector (2013: 6.1%) shows a continued above-average premium growth. Changes in consumer behaviour and an obvious increased risk of being involved in legal disputes have resulted in a premium growth of 46% in the past seven years.

In terms of volume, the small insurance sectors Financial losses and Tourist assistance have continued to enjoy significant above-average growth in premiums as in previous years. The increase of 14.6% (2013: 1.8%) in the Financial losses sector is attributable to premium adjustments made by leading providers. Tourist assistance went up by 5.9% (2013: 4.4%) owing to changing consumer behaviour.

### 3.2 Market shares in direct Swiss business

Non-life insurance companies' market shares (excluding the health insurance business)

Insurance companies	Market share	Cumulative	Market share	Cumulative
	in %	market share in %	in %	market share in %
	2013	2013	2014	2014
AXA Versicherungen	18.7%	18.7%	19.0%	19.0%
Zürich Versicherungen	15.0%	33.7%	14.7%	33.7%
Schweizerische Mobiliar	14.2%	47.9%	14.7%	48.4%
Allianz Suisse	10.2%	58.1%	10.1%	58.5%
Basler	7.6%	65.7%	7.5%	66.0%
Generali Assurances	4.6%	70.3%	4.7%	70.7%
Helvetia	4.7%	75.0%	4.5%	75.2%
Vaudoise	4.3%	79.3%	4.5%	79.7%
Schweizerische National	4.1%	83.4%	4.1%	83.8%

As expected, there were no major shifts in market shares. Of the big market players, only AXA Insurance and Schweizerische Mobiliar increased their market shares in a stagnating market.

Market concentration increased slightly. The fusion of Helvetia and National Swiss (Schweizerischen National) is not yet included in this report.

### 3.3 Loss ratios for Swiss business

Loss ratios for direct Swiss business

Direct business	Loss ratio	Loss ratio
	2013	2014
Health	71.6%	75.6%
Fire/property	48.9%	63.8%
Accident	72.8%	64.7%
Motor vehicle (liability)	77.0%	65.1%
Motor vehicle (comprehensive)	35.5%	46.5%
Liability	47.8%	34.1%
Marine, aviation, transport	46.1%	55.0%
Legal expenses	50.0%	53.6%
Financial losses	34.6%	32.6%
Credit, surety	24.3%	28.8%
Tourist assistance	70.9%	78.7%
<b>Total</b>	<b>61.4%</b>	<b>63.3%</b>



After the rise in 2013 (61.4%, up 1.4%), the loss ratio in the direct Swiss business saw a clear increase (63.3%, up 1.9%). Apart from the sectors Accident, Comprehensive insurance for motor vehicles, Liability insurance and Financial losses, practically all of the other sectors experienced substantial increases.

The Health sector managed to reduce the increase in claims payments. This proved less effective than the tariff reductions in supplementary hospital insurance schemes, which explains why the loss ratio went up to 75.6% (2013: 71.6%).

The Fire / property sector (including natural hazards) benefited from a favourable claims year with less severe weather events, fewer major claims and a decline in burglaries and thefts. The clear increase in loss ratio (63.3%; 2013: 48.9%) can be attributed to a decline of 2% in premiums; the result was also impacted by a substantial rise in claims payments for industry risks outside Switzerland, including payments made by the market leader for two major claims in this sector.

In the past, the loss ratio for Liability insurance for motor vehicles had gone down; in 2014 it went up from 35.5% (2013) to 46.5%, owing to the renewed increase in road accidents with personal injuries and the continuing rise in health care costs. The slight increase in premiums did not compensate for the rise in claims payments.

International loss events and a special effect in aviation insurance influenced the damages covered by the Marine, aviation and transport sector, as well as further premium erosion, resulting in an increase of 55% in the loss ratio (2013: 46.1%).

An increased number of legal disputes led to a rise of 9.8% in claims payments for Legal costs. Although premium growth was substantial, the loss ratio went up to 53.6% (2013: 50%).

The rise of 9.4% in insurance claims payments for Tourist assistance clearly exceeded premium growth, resulting in a loss ratio increase (78.7%; 2013: 70.9%) caused in particular by the outbreak of new crises and ongoing unrest, for instance in the Middle East and North Africa.

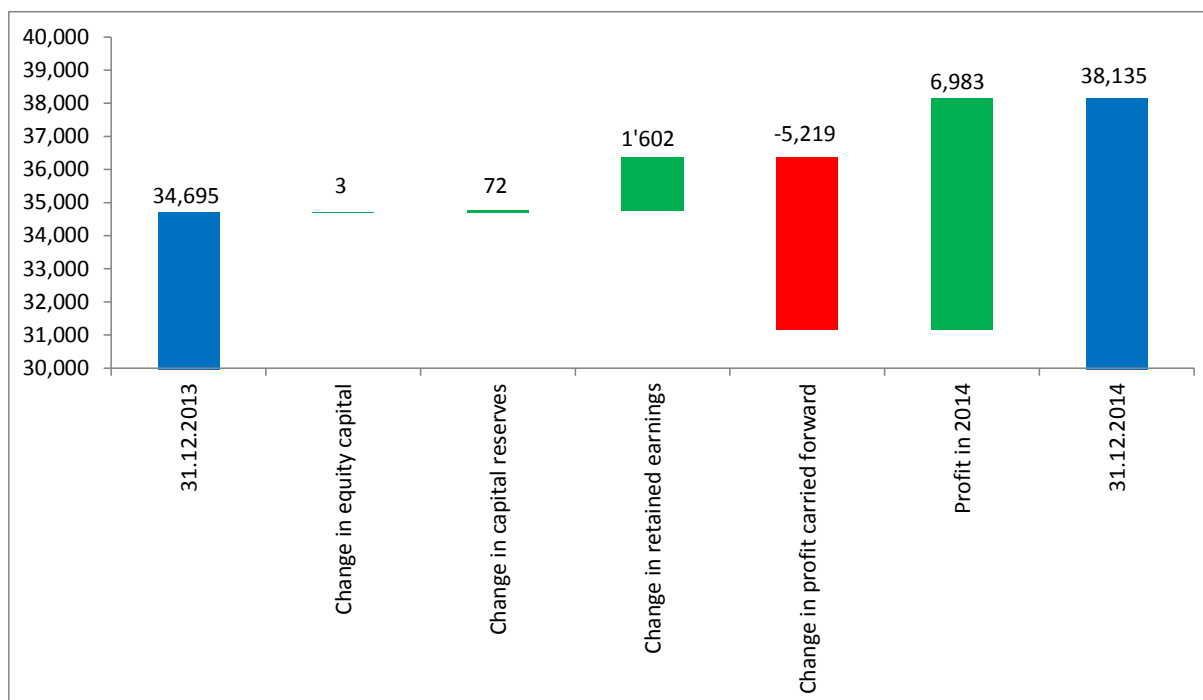
The marked reduction of 65.1% (2013: 77%) in loss ratio for the Comprehensive insurance for motor vehicles sector is owing to the favourable trend in the main drivers behind damage claims: 2014 saw few large-scale hailstorms, no severe flooding and a decline in the number of accidents and car thefts. This resulted in fewer claims payments, which subsequently balanced out and exceeded the drop in premiums.

A lower loss ratio of 34.1% (2013: 47.8%) in the Liability insurance sector was caused by a decrease in claims payments of 15.4% compared with 2013. Fluctuations of this magnitude are repeatedly observed, but cannot be put down to any obvious trend or specific cause.

The improved loss ratio of 32.6% (2013: 34.6%) in the Financial losses sector is owing to the marked increase in premiums, which exceeded the amount for higher claims payments.

### 3.4 Changes in equity capital

Changes in equity capital in CHF million in 2014



Equity capital (prior to appropriation of profits) of Swiss non-life insurance companies increased by almost 10% to CHF 38 billion in 2014. This trend is primarily due to the increase achieved again in annual returns (up 2.9% on 2013) and in the multi-year comparison of above-average allocations to the retained earnings.

### 3.5 Supplementary health insurance companies

The data on supplementary health insurance companies in the tables below are also provided for non-life insurance companies (pages 20 and 21). The tables contain the aggregated data of all institutions supervised by FINMA that do business solely in accordance with the Insurance Contract Act (ICA) and are active primarily in the Health sector. On 31 December 2014, there was a total of 23 such companies. To understand the market better, the values shown under premiums and tied assets also include health insurance funds in the supplementary health insurance sector. When including the daily benefits business of the remaining property and life insurance companies whose core business does not include health insurance, total gross premiums of the supplementary health insurance business supervised by FINMA come to CHF 9.6 billion (previous year: CHF 9.7 billion).

Health insurance companies	2013	2014
<i>Figures in CHF 1,000s</i>		
<b>Balance sheet total</b>	<b>15,310,184</b>	<b>15,961,088</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	5%	5%
Participations	1%	1%
Fixed-income securities	45%	45%
Loans and debt register claims	0%	0%
Mortgages	0%	0%
Equities and similar investments	13%	13%
Collective investments	21%	22%
Alternative investments	3%	2%
Net derivatives position <sup>1</sup>	0%	0%
Time deposits and other money markets investments	1%	1%
Policy loans	0%	0%
Other investments	2%	2%
Liquid assets	9%	9%
<b>Total investments</b>	<b>14,038,919</b>	<b>14,789,900</b>
Receivables from insurance activities	536,095	545,371
Receivables from investment activities	12,181	14,123
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	550,894	454,970
Accruals	171,928	141,802
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>2,828,825</b>	<b>3,066,127</b>
<b>Hybrid capital</b>	<b>49,906</b>	<b>49,906</b>
<b>Financial debt</b>	<b>21,667</b>	<b>16,226</b>
<b>Insurance technical liabilities</b>	<b>9,526,961</b>	<b>9,954,276</b>
Liabilities from insurance activities	472,899	505,909
Liabilities from investment activities <sup>2</sup>	6	4
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	1,773,655	1,677,077
Accruals	636,097	676,639

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Excluding liabilities from derivative financial instruments.

<b>Health insurance companies</b>	<b>2013</b>	<b>2014</b>
<i>Figures in CHF 1,000s</i>		
<b>Annual profit</b>	<b>617,593</b>	<b>577,278</b>
<b>Premiums <sup>3</sup></b>		
<b>Booked gross premiums</b>	<b>7,446,804</b>	<b>7,378,818</b>
<i>Reinsurers' part</i>	<i>50,569</i>	<i>49,299</i>
<b>Premiums including VAG part of health funds <sup>3</sup></b>		
<b>Booked gross premiums</b>	<b>8,893,480</b>	<b>8,879,113</b>
<i>Reinsurers' part</i>	<i>51,596</i>	<i>50,254</i>
<b>Net return from investments</b>		
Direct earnings from investments	300,902	331,175
Realised gains/losses	147,788	140,350
Write-ups/write-downs on investments	29,133	91,433
Expenses for the administration of investments	55,745	43,985
<b>Total gains / losses from investments</b>	<b>422,079</b>	<b>518,974</b>
<b>Return on investments <sup>4</sup></b>	<b>3.20%</b>	<b>3.60%</b>
<b>SST <sup>5</sup></b>		
Target capital	2,867,120	3,483,552
Risk-bearing capital	9,709,922	9,297,137
<b>Solvency ratio</b>	<b>339%</b>	<b>267%</b>
<b>Solvency I</b>		
Total required solvency margin	1,263,783	1,251,365
Total available solvency margin	4,230,167	4,716,255
<b>Solvency ratio</b>	<b>335%</b>	<b>377%</b>
<b>Tied assets <sup>3</sup></b>		
Total required value	8,610,860	9,045,919
Total cover values	11,449,472	12,262,810
<b>Coverage ratio</b>	<b>133%</b>	<b>136%</b>
<b>Tied assets including VAG part of health funds <sup>3</sup></b>		
Total required value	9,575,327	10,091,498
Total cover values	12,711,060	13,527,384
<b>Coverage ratio</b>	<b>133%</b>	<b>134%</b>

<sup>3</sup> Including foreign branches in Switzerland.

<sup>4</sup> Based on average investments held for own account.

<sup>5</sup> Information provided by insurance companies. Corrections made by FINMA not included.

Temporary adjustments (FINMA Circular 13/2) have been taken into account. The general health insurance company SWICA is also included.

Market shares in the health insurance business

Insurance companies	Market share in %	Cumulative market share in %	Market share in %	Cumulative market share in %
	2013	2013	2014	2014
Helsana Zusatzversicherungen	16.5%	16.5%	16.1%	16.1%
Swica Krankenversicherung	13.5%	30.0%	14.2%	30.3%
CSS	12.9%	42.9%	12.9%	43.2%
Visana	11.4%	54.3%	11.9%	55.1%
Groupe Mutuel (Groupe Mutuel Assurances and Mutuel Assurances SA)	9.9%	64.2%	9.6%	64.7%
Concordia	6.1%	70.3%	5.8%	70.5%
Sanitas	5.7%	76.0%	5.8%	76.3%
Sympany	3.4%	79.4%	3.5%	79.8%

## 4 Reinsurance companies

Reinsurance companies	2013	2014
<i>Figures in CHF 1,000s</i>		
<b>Balance sheet total</b>	<b>134,063,894</b>	<b>144,944,882</b>
<b>Assets</b>		
<b>Investments</b>		
Real estate, buildings under construction and building land	0%	0%
Participations	23%	20%
Fixed-income securities	44%	45%
Loans and debt register claims	2%	2%
Mortgages	1%	1%
Equities and similar investments	3%	2%
Collective investments	14%	17%
Alternative investments	2%	2%
Net derivatives position <sup>1</sup>	0%	0%
Time deposits and other money markets investments	3%	3%
Policy loans	0%	0%
Other investments	4%	4%
Liquid assets	4%	4%
<b>Total investments</b>	<b>80,522,369</b>	<b>85,801,253</b>
Receivables from insurance activities	35,408,940	41,654,679
Receivables from investment activities	531,952	777,727
Receivables vis-à-vis participations and shareholders, other receivables, property and equipment, and other assets	13,432,221	11,738,999
Accruals	2,967,846	3,556,346
<b>Liabilities and equity</b>		
<b>Equity (before profit allocation)</b>	<b>26,300,004</b>	<b>26,860,334</b>
<b>Hybrid capital</b>	<b>6,971,985</b>	<b>7,346,809</b>
<b>Financial debt</b>	<b>3,876,514</b>	<b>5,261,436</b>
<b>Insurance technical liabilities</b>	<b>75,877,709</b>	<b>84,096,250</b>
Liabilities from insurance activities	10,038,410	11,678,025
Liabilities from investment activities <sup>2</sup>	1,251,733	1,020,402
Non-insurance provisions, other liabilities vis-à-vis participations and shareholders, and other liabilities	7,567,340	5,871,179
Accruals	979,633	1,394,567

<sup>1</sup> Including credits and liabilities from derivative financial instruments.

<sup>2</sup> Excluding liabilities from derivative financial instruments.

Reinsurance companies	2013	2014
<i>Figures in CHF 1,000s</i>		
<b>Annual profit</b>	<b>4,145,092</b>	<b>4,556,875</b>
<b>Premiums</b>		
<b>Booked gross premiums</b>	<b>36,844,601</b>	<b>39,160,909</b>
<i>Retroceded portion</i>	6,991,271	6,612,616
<b>Net return from investments</b>		
Direct earnings from investments	5,283,386	2,401,683
Realised gains/losses	1,167,505	1,181,278
Write-ups/write-downs on investments	-2,605,057	-123,745
Expenses for the administration of investments	295,024	241,353
<b>Total gains/losses from investments</b>	<b>3,550,811</b>	<b>3,217,863</b>
<b>Return on investments <sup>3</sup></b>	<b>4.31%</b>	<b>3.87%</b>
Net Combined Ratio, non-life	88.4%	93.6%
Benefit Ratio, life	104.8%	84.1%
<b>SST <sup>4</sup></b>		
Target capital	22,825,038	27,790,507
Risk-bearing capital	53,100,537	60,348,604
<b>Solvency ratio</b>	<b>233%</b>	<b>217%</b>
<b>Solvency I</b>		
Total required solvency margin	7,334,988	7,638,806
Total available solvency margin	24,361,261	24,559,335
<b>Solvency ratio</b>	<b>332%</b>	<b>322%</b>

<sup>3</sup> Based on average investments held for own account

<sup>4</sup> Information provided by insurance companies. Any corrections made by FINMA not included.

The solid financial position of reinsurance companies remained mostly stable in 2014. The technical result in life reinsurance improved significantly and can be put down to various portfolio transactions made by one reinsurance company. In addition, the previous year had been impacted by negative one-off effects.

The investment result went down by 9.4% to CHF 3.2 billion. The decline in direct income from investments was largely offset by minimal write-downs of investments.

Annual earnings went up by CHF 412 million (up 10%) totalling CHF 4.6 billion.

The SST and Solvency I ratios went down slightly, but remain at a comfortable level.

#### 4.1 Premium trends

Premiums earned by combined lines of business according to region (in CHF thousands):

Premiums earned (values in CHF 1,000s)	2013	2014	Percentage share 2014	Change in % since previous year
<b>Short-tail</b>	11,624,164	12,171,463	39.0%	4.7%
<b>Long-tail</b>	7,143,795	9,155,290	29.4%	28.2%
<b>Catastrophes</b>	3,069,855	3,675,094	11.8%	19.7%
<b>Total non-life</b>	21,837,815	25,001,847	80.2%	14.5%
<b>Life</b>	6,388,502	6,179,160	19.8%	-3.3%
<b>Total net premiums</b>	<b>28,226,317</b>	<b>31,181,007</b>	<b>100.0%</b>	<b>10.5%</b>
<b>Asia / Pacific</b>	8,834,014	10,499,896	33.7%	18.9%
<b>Europe</b>	9,396,115	10,239,040	32.8%	9.0%
<b>North America</b>	8,764,256	8,985,953	28.8%	2.5%
<b>Rest of the world</b>	1,231,932	1,456,118	4.7%	18.2%
<b>Total net premiums</b>	<b>28,226,317</b>	<b>31,181,007</b>	<b>100.0%</b>	<b>10.5%</b>

Long-tail: liability lines and accident; short-tail: other non-life lines of business excluding natural disasters.

The increase in net premiums already observed in the previous year continued in 2014. The strongest premium growth was in the Asia-Pacific region. The net premiums earned for own account rose by 10.5% to CHF 31.2 billion in 2014. The increase in premiums is due to the first-time inclusion of two new reinsurance companies active in the Switzerland. Currency effects - the stronger US dollar against the Swiss franc and the significantly weaker euro against the Swiss franc - largely offset each other. There was a decline of 3.3% in reinsurance premiums, which can be traced back to a portfolio transaction. Had it not been for that particular transaction, growth would otherwise have been substantial.



## 4.2 Loss ratios

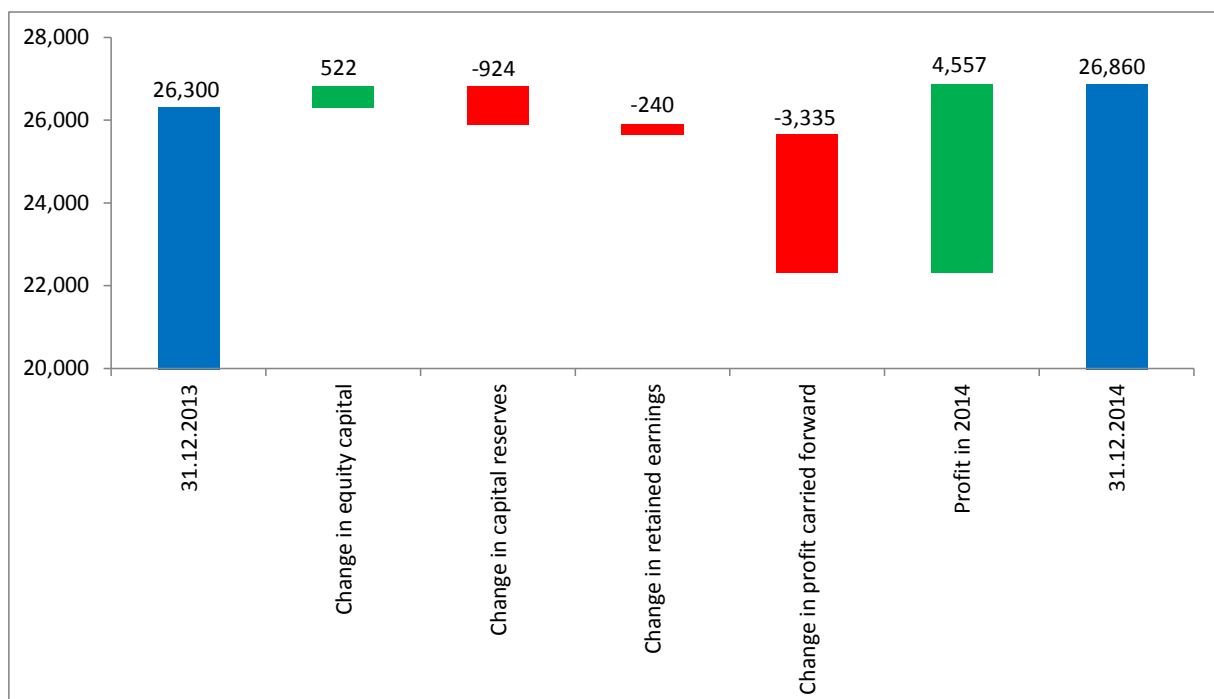
Loss ratios non-life (in percentage):

Combined line of business	2013	2014
Short-tail	56.7	56.4
Long-tail	65.8	64.9
Natural disasters	29.5	33.4
<b>Total</b>	<b>55.9</b>	<b>56.1</b>

As there were hardly any natural disasters and hence no major claims in 2014, loss ratios changed only slightly.

## 4.3 Changes in equity capital

Changes in equity in 2014 in CHF million



Statutory eligible capital rose by CHF 560 million to CHF 26.9 billion. The reported net profit of CHF 4.6 billion corresponds approximately to the decline in reserves and profit carried forward, suggesting that high dividends were paid out to equity holders. The impact stemming from a reinsurance company included in the analysis for the first time amounted to CHF 1 billion.