

Explanations

by the Federal Office of Private Insurance

on the Business Plan

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Legal basis: Article 4 ISA
Article 5 ISA



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Finance FDF
Federal Office of Private Insurance FOPI

Table of contents

1	INTRODUCTION AND LEGAL BASIS	2
2	PROCEDURE	2
3	TABLE OF FORMS AND APPLICABILITY ACCORDING TO TYPE OF INSURANCE.....	4
4	EXPLANATIONS OF THE FORMS.....	5
4.1.	Form A: Company statutes	5
4.2.	Form B: Organizational structure and geographic areas of activity.....	6
4.3.	Form C: Licence from the competent foreign supervisory authority or equivalent certification.....	7
4.4.	Form D: Details of financial resources and provisions	8
4.5.	Form E: Annual financial statements for the last three business years or opening balance sheet.....	11
4.6.	Form F: Details of persons who directly or indirectly hold at least 10% of the capital or voting rights of the insurance undertaking or who may exert a significant influence on its business activities.....	12
4.7.	Form G: Schedule of named individuals entrusted with the direction, supervision, control and management and/or person(s) holding a general power of attorney.....	13
4.8.	Form H: Designation of the responsible actuary	13
4.9.	Form I: Designation of the independent auditor and the persons responsible for the mandate.....	14
4.10.	Form J: Contracts or other agreements by which principal functions are to be outsourced	16
4.11.	Form K: Planned insurance classes and nature of the risks to be insured.. ..	18
4.12.	Form L: Statement of membership of the National Bureau of Insurance and the National Guarantee Fund.....	20
4.13.	Form M: Details of resources available to provide assistance services	20
4.14.	Form N: Reinsurance plan or retrocession plan.....	21
4.15.	Form O: Estimate of costs required to build up the insurance undertaking.....	22
4.16.	Form P: Projected balance sheets and projected statements of income for the first three business years.....	22
4.17.	Form Q: Details of risk identification, limitation and monitoring.....	23
4.18.	Form R: Rules and general conditions of insurance (occupational pension plans and health insurance).....	24

1 Introduction and legal basis

Swiss insurance undertakings intending to offer direct insurance or reinsurance and insurance undertakings with registered offices abroad intending to engage in insurance activities in Switzerland or from Switzerland require authorization from the supervisory authority in order to take up insurance activities. The insurance undertakings must submit an application to the supervisory authority along with a business plan (art. 3 para. 1, art. 4 para. 1 ISA). Any changes to the business plan itself must also be submitted to the supervisory authority.

The legal requirements on the content of the business plan and the conditions for approval of business plans and their changes are set out in art. 4 para. 2, art. 5, and art. 6 ISA.

Three different scenarios can be distinguished with respect to submission of the application for approval of the business plan:

1. Submission of the business plan in the context of an application for authorization of insurance activities (hereinafter "initial approval");
2. Submission of changes to an already approved business plan (hereinafter "approval of changes");
3. Submission of a new, updated business plan pursuant to the transitional provisions in art. 216 para. 9 SO by insurance undertakings already in possession of an authorization for business operations (hereinafter "approval of updates").

The following explanations serve to provide further important details on the legal requirements set out in art. 4 para. 2 ISA.

2 Procedure

FOPI has made forms available for recording the business plan data. These forms must be filled out by the insurance undertaking according to the type of insurance written (see table under point 3), signed in accordance with the "Certification" form, and submitted to the supervisory authority by mail. Additionally, any enclosures demanded by FOPI must also be sent.

The insurance undertaking may submit additional relevant information. The supervisory authority may also demand further information and documentation if necessary for evaluating the application (art. 4 para. 4 ISA).

The forms can be downloaded from the FOPI website (<http://www.bpv.admin.ch>) and the information entered directly into the Microsoft Word document. Annexes 1 and 2 to Forms G and H may also be downloaded from the FOPI website.

The insurance undertaking must observe the following:

1. In the case of initial approval:

All forms listed in the table under point 3 must be filled out and submitted to the supervisory authority.

2. In the case of approval of changes:

The forms relevant to the changes must be filled out and submitted to the supervisory authority.

3. In the case of approval of updates:

A complete set of forms appropriate to the insurance classes offered – with the exception of forms E, O, and P – must be submitted to the supervisory authority by 31 December 2007.

The effective date for recording the business plan data is the date the declaration is signed with a legally binding signature.

The information must be submitted with the name of the insurance undertaking, the date, and the legally binding signatures of the responsible representatives of the company. All information must be in one of the official languages of Switzerland (German, French, Italian).

3 Table of forms and applicability according to type of insurance

The following table provides an overview of the forms made available by the supervisory authority and their applicability to the various types of insurance.

Art. 4 para. 2 ISA	Form	Title	Types					
			Non-life ¹	Non-life, branch in CH ²	Life	Life, branch in CH ²	Re	Health
(a)	A	Company statutes	X	X	X	X	X	X
(b)	B	Organization	X	X	X	X	X	X
(c)	C	Activities abroad	X	X	X	X	X	X
(d)	D	Financial resources, provisions	X	X	X	X	X	X
(e)	E	Annual financial statement	X	X	X	X	X	
(f)	F	Holdings	X		X		X	
(g)	G	Direction	X	X	X	X	X	
(h)	H	Responsible actuary	X	X	X	X	X	X
(i)	I	Independent auditor	X	X	X	X	X	X ³
(j)	J	Outsourcing	X	X	X	X	X	X
(k)	K	Insurance classes	X	X	X	X	X	X
(l)	L	National Bureau of Insurance	X	X				
(m)	M	Assistance services	X	X				
(n)	N	Reinsurance	X	X	X	X	X	X
(o)	O	Development costs	X	X	X	X	X	
(p)	P	Projected balance sheets	X	X	X	X	X	
(q)	Q	Risk management	X	X	X	X	X	X ³
(r)	R	Rates, CGI	Rates and GCI subject to approval for occupational pension plan insurance and supplementary health insurance					

¹ Including non-life insurers (only) providing health insurance.

² Only branches of foreign undertakings are recorded here.

³ Provisions for health insurance schemes providing supplementary health insurance in accordance with FOPI Circular RS 11/2006 of 1 November 2006.

4 Explanations of the forms

4.1. Form A

Company statutes (art. 4 para. 2 (a) ISA)

Different forms are provided for insurance undertakings with registered offices in Switzerland (A1), for branches of foreign insurance undertakings (A2), and for health insurance schemes (A3).

Insurance undertakings with registered offices in Switzerland (A1)

The company statutes are primarily based on the legal provisions of the Code of Obligations. Insurance undertakings must additionally observe the following points:

- Detailed description of the scope of business. In addition to the insurance business, insurance undertakings may only engage in business that is directly connected with insurance (art. 11 ISA). Insurance undertakings offering direct life insurance may also only offer accident and health insurance (art. 12 ISA).
- Cooperative societies that have not issued participation certificates to their members must also have the minimum capital set out in art. 8 ISA. The capital is specified in the company statutes and must be included as company capital in the annual financial statement.
- The allocation to legal reserves (art. 671 and art. 860 of the Code of Obligations) must amount to at least 10% of annual profits in the case of insurance undertakings offering life insurance and at least 20% of annual profits in the case of other insurance undertakings, until a profit reserve of 50% of the statutory capital is reached or, after being drawn on, reached again (art. 5 FOPI-SO, SR 961.011.1).

Newly drafted company statutes or planned changes to company statutes must be presented to the supervisory authority **as drafts** for the purposes of review. Subsequently, a notarized copy of the company statutes must be presented to the supervisory authority, along with an extract from the Commercial Register. If the draft company statutes are submitted at the same time as the business plan, the notarized company statutes must be subsequently submitted together with the extract from the Commercial Register.

Branches of foreign insurance undertakings (A2)

The company statutes of the insurance undertaking approved in the country of domicile must be submitted to FOPI.

Health insurance schemes (A3)

Health insurance schemes offering supplementary health insurance must specify this in their company statutes.

4.2. Form B

Organizational structure and geographic areas of activity (art. 4 para. 2 (b) ISA)

Organizational structure

The insurance undertaking must have an appropriate organizational structure in Switzerland and – if it is a foreign insurance undertaking – a person or persons with general power of attorney.

☞ See FOPI Directive 1/2007 of 1 January 2007 on the internal audit office.

☞ See FOPI Directive 15/2006 of 1 January 2007 on corporate governance, risk management and the internal control system.

Geographic areas of activity

The insurance undertaking shall provide information on the geographical distribution of the insurance activities carried out in Switzerland and abroad.

Insurance activities outside Switzerland:

In Form C, information shall be provided on the scope of activities that are permissible abroad. In Form B, the practical circumstances shall be described.

If the insurance undertaking is part of an insurance group or insurance conglomerate, a group organizational chart shall be submitted, and including where necessary, additional explanations.

4.3. Form C

Licence from the competent foreign supervisory authority or equivalent certification (art. 4 para. 2 (c) ISA)

The term "insurance activities abroad" assumes active business of a Swiss insurance undertaking abroad. Active business abroad exists in particular when a Swiss insurance undertaking targets a foreign market, when insurance contracts are solicited outside Switzerland and the Principality of Liechtenstein on site by an organization independent of the insurance undertaking, or when publicity is carried out on site or via the Internet targeting legal or natural persons domiciled outside Switzerland and the Principality of Liechtenstein.

The laws of the country where an insurance undertaking is active determines the conditions under which an insurance undertaking may engage in activities abroad. Often, there is a general licensing requirement, and the grant of a licence depends on certain conditions, such as the formation of a branch. It may be, however, that a country does not have a licensing requirement at all or for particular business activities.

Evidence that an insurance undertaking may lawfully engage in business abroad may be proven by presentation of the operating licence of the country where the business is performed. If the activities of the insurance undertaking are not subject to a licensing requirements in the country where the activities are performed but are compatible with the legal requirements of that country, the insurance undertaking must provide evidence thereof to FOPI. Evidence consists primarily of certification by the supervisory authority of the country where the business is performed. If such certification cannot be presented, e.g. because the country where the business activity occurs does not have insurance supervision or the supervisory authority of that country is unwilling to issue such certification, evidence may for instance be provided by an independent, clear, and relevant legal opinion (national language or English) from the country where the business is performed.

Reinsurance undertakings are called upon to indicate in which jurisdictions they require a licence under which law. Relevant records must be presented.

A foreign insurance undertaking only carrying out foreign business from Switzerland must also provide evidence that the supervisory authority of the home country agrees to the establishment of a branch in Switzerland (art. 20 para. 1 SO).

Insurance activities abroad that are carried out from Switzerland may damage the reputation of Switzerland and the entire Swiss insurance industry if the legal order of the foreign country is not respected. For this reason, an insurance undertaking domiciled in Switzerland but intending to operate abroad must provide evidence that it is entitled to carry out insurance activities in that country .

4.4. Form D

Details of financial resources and provisions (art. 4 para. 2 (d) ISA)

4.4.1. Financial resources

Own funds and solvency

For initial approval, the insurance undertaking with a registered office in Switzerland must provide evidence of payment of the equity capital necessary to meet the solvency requirements (including hybrid instruments) and the organisation funds by submitting a copy of the credit advice issued by the bank. For approval of changes and updates, the appropriate information must be submitted.

For initial approval, the foreign insurance undertaking with a registered office in an EU State must submit a solvency certification and provide evidence of a solvency margin as set out in art. 9 ISA.

A foreign insurance undertaking whose registered office is outside the EU and Liechtenstein must

- hold capital as set out in art. 8 ISA at its head office and provide evidence of a solvency margin as set out in art. 9 ISA;
- deposit a surety bond in Switzerland (Swiss National Bank) corresponding to 10% of the required solvency margin for Swiss business (arts. 23-26 and 27-32 SO). In the case of initial approval, however, minimum requirements must be met depending on the insurance class. If several insurance classes are offered, the surety for the higher insurance class (art. 15 ISA and SO) applies. Appropriate evidence must be submitted.

Tied assets

The technical provisions for Swiss business must be ensured by means of tied assets.

Life insurance

The target amount consists of the elements set out in art. 56 SO. It must be at least CHF 750,000 upon its creation (art. 70 (a) SO), and the resources must be paid into a financial institution licensed in Switzerland.

Non-life insurance (including health insurance)

The target amount consists of the elements set out in art. 68 SO. It must be at least CHF 100,000 upon its creation (art. 70 (b) SO), and the resources must be paid into a financial institution licensed in Switzerland.

In the case of initial approval, the insurance undertaking must provide evidence of payment of the minimum amount by means of a copy of the credit advice issued by the bank.

4.4.2. Life insurance provisions

Until the directive referred to in point 4.4.6 has been issued, only information on those parts of the business plan declaration on the formation and dissolution of technical reserves must be submitted to the supervisory authority with respect to which changes have been carried out since 1 January 2006 and have not yet been submitted.

If authorization to operate the new insurance classes A6 (capital redemption), A7 (tontines) or A4 (accident insurance) within life insurance has been granted, then the information on the technical provisions must be submitted.

4.4.3. Non-life insurance provisions

The insurance undertaking must describe the principles, procedures, and methods according to which it establishes, verifies, strengthens, and dissolves the technical provisions in the insurance classes offered.

The provisioning methods and principles must be justified and documented for each class and provision category in a way that is understandable to a knowledgeable third party. In particular, the statistical principles and parameters for each class and provision category must be explained. In the case of classes for which fluctuation provisions are called for according to generally recognized principles, the non-life insurance undertaking must ensure that they have been established to a sufficient extent.

The types of technical provisions are set out in art. 69 SO.

4.4.4. Health insurance provisions

In November 2004, the supervisory authority demanded the relevant information on technical provisions from all insurers that hold authorization to provide supplementary health insurance. Since then, each audit has also been subject to a documentation requirement. For this reason, a new submission of the information on technical provisions is not required in the context of approvals of updates.

The information must be provided in the case of initial approval.

4.4.5. Reinsurance provisions

The insurance undertaking must describe the currently applied principles, procedures, and methods according to which it establishes, verifies, strengthens, and dissolves its technical provisions in the insurance classes offered.

The provisioning methods and principles must be justified and documented for each class and provision category in a way that is understandable to a knowledgeable third party. In particular, the statistical principles and parameters for each class and provision category must be explained. In the case of classes for which fluctuation provisions are called for according to generally recognized principles, the reinsurance undertaking must ensure that they have been established to a sufficient extent.

Explanations

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4.4.6. Note

FOPI directives on art. 16 ISA are currently under development. In time, these directives will set out the requirements of the supervisory authority, taking account of an appropriate transition period.

4.5. Form E

Annual financial statements for the last three business years or opening balance sheet (art. 4 para. 2 (e) ISA)

Scope

This point applies to the following scenarios:

1. Insurance undertakings relocating their registered office from abroad to Switzerland must submit the annual financial statements for the last three years that were prepared in the country of origin.
2. Insurance undertakings with registered offices abroad (not including reinsurance undertakings) intending to open a branch in Switzerland must submit the annual financial statement of the company for the last three business years.
3. Companies wanting to obtain a new licence for insurance activities must submit an opening balance sheet. With every substantial expansion of insurance classes, an opening balance sheet relating to the new insurance classes must also be submitted to FOPI.

Annual financial statements

The statutory annual financial statement, consisting of the income statement, balance sheets, notes, and annual report must be submitted.

If the balance sheet is shown prior to profit appropriation, supplemental information on profit appropriation must be presented.

The report of the independent auditor must be submitted with the annual financial statement.

If business reports of the insurance undertaking and/or the insurance group or insurance conglomerate affiliated with the insurance undertaking exist, they must also be submitted with the annual financial statement.

Opening balance sheet

The opening balance sheet must indicate which own funds have been paid in or contributed in kind, and the form in which these funds are kept.

The legally required organisation funds must be entered separately under liabilities.

4.6. Form F

Details of persons who directly or indirectly hold at least 10% of the capital or voting rights of the insurance undertaking or who may exert a significant influence on its business activities (art. 4 para. 2 (f) ISA)

General remarks

Holdings must be notified irrespective of whether the third party is an insurance undertaking, another legal person, or a natural person.

Additionally, notification requirements under art. 21 ISA apply.

Direct and indirect holdings

A direct holding exists when a natural or legal person is a shareholder or cooperative member of an insurance undertaking, i.e. is himself or itself an owner of the participation rights. An indirect holding exists if additional participation relationships are interposed, leading to an indirect holding of at least 10% of the capital or voting rights.

For legal persons with direct holdings, an organizational chart of the group in question must be included.

Significant influence on the business activities of the insurance undertaking

Significant influence may, for instance, be exerted:

- by a member of the board of directors involved in management;
- by an advisor close to the insurance undertaking who makes decisions;
- by a majority of the board of directors in the case of specific representation of interests;
- etc.

4.7. Form G

Schedule of named individuals entrusted with the direction, supervision, control and management and/or person(s) holding a general power of attorney (art. 4 para. 2 (g) ISA)

This provision covers all leading decision-makers and/or responsible persons in the mentioned areas, irrespective of the legal form and organizational structure of the insurance undertaking and the designation of the position in the individual case.

According to art. 14 para. 1 ISA, these persons must be of good reputation and guarantee sound and proper business conduct.

☞ See FOPI Directive 15/2006 of 1 January 2007 on corporate governance, risk management, and the internal control system.

Each person mentioned in Form G must fill out and sign the documents listed in Annex 1, containing:

- a curriculum vitae
- the self-declaration (in accordance with Annex 1.3 to Form G).

4.8. Form H

Designation of the responsible actuary (art. 4 para. 2 (h) ISA)

☞ See FOPI Instructions of 1 March 2006 concerning requirements on the responsible actuary.

☞ See "FAQ / Responsible Actuary" at www.bpv.admin.ch.

4.9. Form I

Designation of the independent auditor and the persons responsible for the mandate (art. 4 para. 2 (i) ISA)

4.9.1. General remarks

According to art. 28 ISA, the insurance undertaking must appoint an independent auditor to audit its management.

Only audit companies which have been recognized by the insurance supervision authority under insurance supervision legislation may be entrusted with this responsibility for insurance undertakings (art. 28 ISA; art. 112 SO).

In the case of health insurance schemes which, within the same legal person, also offer supplementary health insurance under the Insurance Contract Act, art. 28 ISA only applies to undertakings with a large business volume. FOPI Circular 11/2006 of 11 November 2006 applies.

The supervisory authority will publish a list of the audit companies and auditors-in-charge it has recognized under insurance supervision law.

4.9.2. Recognition of independent audit offices and auditors-in-charge

Recognition under art. 28 ISA requires a basic licence issued by the Federal Audit Oversight Authority (FAOA). The licensing requirements under insurance supervision law are set out in art. 114 SO and Directive 2/2007 on the recognition of independent auditors and auditors-in-charge.

The Federal Audit Oversight Authority will take up its work on 1 September 2007.

The following applies to the transition period:

Initial approval and new mandates

For new insurance undertakings and mandates assigned to audit offices or auditors-in-charge **before** the Federal Audit Oversight Authority takes up its work (art. 4 para. 2 (i) ISA), FOPI will carry out a provisional audit of the submitted documentation as part of its review of the business plan or changes to the business plan. This does not release the independent audit office and the auditor-in-charge from undergoing the ordinary licensing procedure in accordance with the Audit Supervision Act and the ISA once the Federal Audit Oversight Authority has taken up its work.

Procedure for ongoing mandates

Independent audit offices and auditors-in-charge with an existing mandate from an insurance undertaking must submit their licensing application to the Federal Audit Oversight Authority within four months of taking up business (art. 43 para. 3 ASA). The submission serves as a provisional basic licence. Once the audit office has been registered with FAOA, an application may also be sent to FOPI for

authorization. FOPI relies on the provisional basic licence of the Federal Audit Oversight Authority and decides provisionally within its scope of responsibility on authorization under insurance supervision law. As soon as FAOA has granted final approval, it will grant FOPI access to the information and records that FOPI needs to evaluate its final authorization.

☞ See FOPI Directive 2/2007 of 1 January 2007 on the recognition of independent auditors and auditors-in-charge and FOPI Circular RS 3/2007 of 11 June 2007 ([http://www.bpv.admin.ch/Services/For insurers/Circulars 2007](http://www.bpv.admin.ch/Services/For%20insurers/Circulars%202007)).

4.10. Form J

Contracts or other agreements by which principal functions are to be outsourced (art. 4 para. 2 (j) ISA)

Principle

The outsourcing of activities of an insurance undertaking may not endanger the interests of the insured parties nor be detrimental to supervision by FOPI.

When outsourcing tasks, art. 47 para. 4 ISA in particular must be observed, according to which natural and legal persons assuming tasks of the insurance undertaking are also subject to the duty to provide information to the supervisory authority.

The insurance undertaking shall designate one internally responsible person for each outsourced area.

Principles and object of the approval requirement

Outsourcing for purposes of art. 4 para. 2 (j) ISA also includes the transfer of tasks between the Swiss branch of a foreign insurance undertaking and the foreign head office or other unit of the company.

An outsourcing procedure is subject to approval if the following conditions apply cumulatively:

- The outsourcing concerns principal functions or processes of an insurance undertaking (see "Outsourcing of principal functions" below);
- The outsourcing is long-term;
- The service provider has entrepreneurial discretion in fulfilling its tasks¹.

Areas that may not be outsourced

Direction, supervision, and control by the board of directors as well as key management responsibilities may not be outsourced.

¹ This means in particular that a mere assignment relationship in which the IU maintains its right of instruction in detail cannot be deemed outsourcing. If, for instance, the processing of some claims is carried out by an external law office, this is not qualified as outsourcing of an entrepreneurial function.

Exceptions:

- Outsourcing of internal audit in accordance with the rules set out in point 5.5 of the FOPI Directive of 1 January 2007 on the internal audit.
- Outsourcing of the management of captive reinsurers to appropriately specialized captive management companies.
- Outsourcing of certain control functions within an insurance group or insurance conglomerate subject to group supervision.

Outsourcing of principal functions

Principal functions for purposes of art. 4 para. 2 (j) are those functions necessary for the effective operation of an insurance undertaking.

Such functions are:

Core functions:

1. Production (product development, distribution, risk underwriting)
2. Administration of client base (administration of policies)
3. Claims settlement

Other principal functions:

4. Accounting
5. Asset investment/management
6. IT

Outsourcing of principal functions is possible under the following conditions:

- Of the core functions set out in points 1 to 3, a maximum of 2 may be outsourced, provided that such outsourcing is sufficiently justified. Outsourcing also includes partial outsourcing (e.g. the outsourcing of product development as part of the core function of "Production").
- The other principal functions set out in points 4 to 6 may be outsourced.
- Captives may outsource all principal functions set out in points 1 to 6 to specialized captive management companies.
- Companies in run-off after renouncing a licence may outsource all principal functions set out in points 1 to 6, as long as this appears useful in a concrete individual case (e.g. if only few contracts and claims remain to be processed).

4.11. Form K Planned insurance classes and nature of the risks to be insured (Art. 4 Abs. 2 (k) ISA)

General remarks

Depending on the insurance class, different risks exist that the insurance undertaking may cover. Form K must be filled out according to the insurance classes of life and non-life insurance listed in Annex 1 to the SO. The risks must be assigned to the appropriate insurance classes.

Life insurance

With the entry into force of the new Supervision Ordinance on 1 January 2006 (SO, SR 961.011), a new division of life insurance into insurance classes has been set out. The authorization to operate an insurance class in accordance with the new SO is considered granted for an existing insurance undertaking if the insurance undertaking held an authorization to engage in the business in question under the old Life Insurance Ordinance (LIO, SR 961.611) and actually engaged in the business as of 31 December 2005. This means in particular:

- The authorization to operate the new class A1 is granted if the undertaking had authorization to operate insurance class 1 and engaged in occupational pension plan insurance.
- Independent risk insurance in the case of death, inability to work, or disability should be assigned to other life insurance (class A3).
- Residual debt insurance in the case of death, inability to work, or disability should be assigned to collective life insurance other than occupational pension plan insurance (subclass A3.4).
- Authorization for operating classes A6 and A7 should be applied for in any case, since these businesses were not permissible under the old LIO.
- Capital redemption (class A6) encompasses transaction based on a mathematical procedure, according to which certain obligations are assumed in return for one-time payments or regularly recurring payments, the duration and amount of which are precisely specified in advance. Capital redemption transactions may only be deemed "capital redemption insurance" if a biometric risk is a compulsory part of the insurance coverage. In order to assign a life insurance product to insurance class A6 (capital redemption), capital protection of at least 90% must be granted.
- Tontines (class A7) are contracts providing that paid-in amounts of the insured person are capitalized jointly and specifying how the accumulated assets are distributed among the survivors or the legal successors of the deceased.

Non-life insurance

According to insurance class or type of performance, following Annex 1 to the SO, B1 to B18.

Explanations

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Reinsurance

According to insurance class or type of performance, following Annex 1 to the SO, C1 to C3.

4.12. Form L

Statement of membership of the National Bureau of Insurance and the National Guarantee Fund (art. 4 para. 2 (I) ISA)

Preconditions for granting authorization to provide motor vehicle liability insurance (class B10) are the two following points:

- evidence that the insurance undertaking has joined the National Bureau of Insurance and the National Guarantee Fund.

Address:

Swiss National Bureau of Insurance /
Swiss National Guarantee Fund
P.O. Box, 8085 Zurich
Tel. 0800 831 831, Fax 044 628 87 67
E-mail nbingf@zurich.ch
Website www.nbingf.ch

- name and address of the claims settlement officer whom the insurance undertaking has appointed in each country to which Switzerland grants reciprocity in accordance with art. 79e of the Road Traffic Act.

At the same time as the application for authorization, the insurance undertaking must apply for a company code from the Swiss Insurance Association (SIA). The cantonal Road Traffic Authorities need to enter this code in the driver licences.

4.13. Form M

Details of resources available to provide assistance services (art. 4 para. 2 (m) ISA)

The resources mentioned are non-financial. Direct and indirect, personal and tangible resources, including the qualification of medical teams and the quality of equipment that the insurance undertaking must possess to meet its obligations are included.

The insurer must show that it either has its own organization to provide the promised assistance services or that it has concluded a contract with a third party possessing such an organization, where such agreement obliges the third party to deliver the promised assistance in all countries falling within the scope of the contract.

4.14. Form N

Reinsurance plan or retrocession plan (art. 4 para. 2 (n) ISA)

Information on management of the credit risk arising from reinsurance or retrocession claims

- Description of the method or criteria for selecting reinsurers or retrocessionaires.
- Ways in which reinsurance and retrocession claims are actively managed.
- Description of the methods for determining the limits on reinsurance claims in relation to individual reinsurers (reinsurance group) or retrocessionaires and on individual countries or country groups.

Information on reinsurance or retrocession strategy

- Description of the concept or the principles applicable to the purchase of reinsurance (reinsurance concept, self-retention or strategy for purchasing reinsurance: coverage of peak risks, etc.).
- In the case of new formation, an overview of the planned contracts must be provided, with an indication of the most important parameters such as the nature of the contract (proportional, not proportional), the total sum insured, the retained amount, and the ceded premium.
- In the case of new formation, the insurance undertaking must show that the reinsurer(s) is/are willing to assume the risk. The retained amount for all business should not be less than 20% for reinsurance companies and not less than 10% per class for direct insurers. The supervisory authority may allow justified exceptions.

4.15. Form O

Estimate of costs required to build up the insurance undertaking

(art. 4 para. 2 (o) ISA)

According to art. 10 ISA, an insurance undertaking must have an organisation fund that allow for the costs of formation and development or an extraordinary expansion of business to be covered. Art. 26 para. 2 ISA provides that the formation costs, capital increase costs, and organizational costs must be charged against the organisation fund in the year in which they are incurred. According to art. 11 SO, the organisation fund generally amounts to 20% of the minimum capital. It may be used for purposes other than those referred to in art. 10 para. 1 ISA at the earliest three years after its creation and only with the approval of the supervisory authority. For insurance undertakings authorized to operate insurance class C3, the organisation fund must amount to at least CHF 300,000.

In order to determine the amount of the organisation fund, the insurance undertaking must, at the time of formation, indicate the planned costs for development and expansion of the insurance undertaking over the first three years after formation.

4.16. Form P

Projected balance sheets and projected statements of income for the first three business years

(art. 4 para. 2 (p) ISA)

The designations of the items correspond to the accounts structure of the new reporting which is expected to enter into effect for the 2007 business year.

Only the most important positions on the balance sheet and the income statement are considered (including accrued and deferred income and expenses, however).

The net amounts of the technical provisions must be carried forward.

4.17. Form Q

Details of risk identification, limitation and monitoring

(art. 4 para. 2 (q) ISA)

☞ See FOPI Directive 15/2006 of 1 January 2007 on corporate governance, risk management, and the internal control system.

☞ See FOPI Directive 1/2007 1 January 2007 on the internal audit office.

Significant changes to the documentation within the meaning of paragraph 4.4 of Directive 15/2006 are considered a change to the business plan.

For subsidiaries and branches that follow the risk management principles of the parent company or the head office of the overall company, must submit documentation to this effect. It must be ensured that this subsidiary and/or branch is integrated into the comprehensive risk management framework of the organization.

In the case of health insurance schemes operating supplementary health insurance under the Insurance Contract Act within the same legal person, this rule only exceptionally applies, i.e. for health insurance schemes with a large business volume. FOPI Circular 11/2006 of 1 November 2006 applies.

4.18. Form R Rules and general conditions of insurance (occupational pension plans and health insurance) (art. 4 para. 2 (r) ISA)

General remarks

The rates and general conditions of insurance for occupational pension plan insurance and supplementary health insurance are subject to the preventive approval requirement.

The rates must be justified by means of appropriate, statistical-technical documentation (art. 38 ISA). The general conditions of insurance must be compatible with the binding rules of Swiss law (art. 117 SO).

Occupational pension plans

Companies no longer offering collective insurance upon discontinuing insurance class A1 or former insurance class 1 (LIO) but which still have individual vested benefits policies in run-off need not submit rates and GCI for occupational pension plan insurance.

Supplementary health insurance

In November 2004, the supervisory authority demanded the rates and GCI from all insurers with authorization to operate supplementary health insurance. Since then, all newly approved or revised rates and general conditions of insurance have also been subject to the submission requirement. For this reason, a new submission of the rates and GCI is not required in the context of approvals of updates.

The rates and GCI must be provided in the case of initial approval.

Bern, August 2007