

# Occupational benefit scheme with Helvetia Full insurance.

Security for retirement assets and pensions.



Crises in the financial markets always also affect the occupational benefit scheme. This gives rise to justified questions about the security of retirement assets and pensions. In the following you will find the most important facts regarding security.

## Security in the focus of the company

The protection of the benefit claims of insured persons is given top priority at Helvetia. Thanks to a corporate policy that focuses on sustainability we have proven strengths at our disposal which contribute to guaranteeing our obligations even in difficult times:

### ■ Comfortable level of cover

For Swiss life insurance companies there are comprehensive statutory security provisions as well as strict requirements regarding the equity base. As per 31.12.2011, Helvetia Swiss Life Insurance Company Ltd meets 212% of the solvency requirements under insurance legislation.

### ■ Investment strategy focusing on security

Helvetia has a well-diversified investment portfolio and places great importance on its quality. Our equity exposure is less than 5% and the majority is hedged against further price losses or currency fluctuations.

### ■ Excellent liquidity

Helvetia has sufficient liquidity to reliably meet its current obligations (payment of vested benefits and pensions) at any time. The liquidity situation is in fact so good that no investments had to be sold which would have entailed losses.

### ■ Healthy actuarial account

Helvetia posts healthy, solidly financed actuarial results. This means it can stabilise its business and also balance out any losses from investments.

### ■ Stable ownership base

Helvetia Group has a stable shareholder base with many shareholders focused on the long term. The stability of the company is not jeopardised by the substantially lower share prices across the markets.

## Security through supervisory regulations

From the legal perspective there are numerous procedures that guarantee the obligations of insurance companies:

- Provisions regarding the investment of the pension assets entrusted to them
- Provisions regarding a sufficient equity base
- A strong supervisory authority (Swiss Financial Market Supervisory Authority FINMA) with far-reaching regulatory competence to ensure that the claims of the insured can be met
- Priority bankruptcy treatment for receivables from insurance contracts

### **Security of Swiss life insurers**

Swiss insurance companies are subject to the stringent safety regulations of the Federal Law on Insurance Supervision (VAG) and the Ordinance on the Supervision of Private Insurance Companies (AVO). These provisions ensure that insurance companies have sufficient funds and can meet the claims of the insured at any time and in full. The most important provisions are as follows:

- To ensure its contractual obligations, the insurance company must have a portfolio of **tied-up assets** that must at all times equal at least the current value of the benefit obligations plus a supplement of 1%. A cover shortage is not permitted.  
The insurance company must have separate tied-up assets for its occupational benefits insurance that should be managed separately from the other insurance segments.
- Tied-up assets must be invested with the focus first and foremost on security. In order to limit fluctuations in the value of the tied-up assets there are comprehensive provisions governing how they are to be invested. These provisions are substantially more restrictive than the investment provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LOB).
- To further protect the insured, an insurance company must have **sufficient free assets** in addition to the tied-up assets. The solvency requirements pursuant to Solvency I stipulate that the equity may not amount to less than around 4% of the liabilities. Helvetia Swiss Life Insurance Company Ltd guarantees 212% of the solvency requirements under Solvency I (status 31.12.2011). It therefore far exceeds the extremely strict security requirements.
- The **Swiss Financial Market Supervisory Authority FINMA** monitors the insurance companies closely and intervenes immediately if the statutory provisions or the instructions of the supervisory authority are not complied with. FINMA has far-reaching powers to put security measures in place in good time and to safeguard the interests of the insured.
- Over the past few decades no Swiss life insurer has ever declared bankruptcy. However, if this ever happened, the claims under insurance contracts would be covered first using the proceeds from the tied-up assets. The insured are therefore provided with a liability reserve that ensures their claims take priority over those of the other creditors.

## The security of full insurance

Helvetia Group Foundation and Helvetia Prisma offer a particularly secure occupational benefits solution with what is termed the full insurance model. Especially in times of insecure financial markets, this model demonstrates its particular strengths. The following are its major characteristics:

### ■ Investment risks insured

In full insurance all the risks, in particular the investment risk, are covered by an insurance contract. The insurance company must fully cover all the obligations under the insurance contracts (→ tied-up assets) and have sufficient equity at all times to secure the guarantees it has made (→ solvency).

### ■ Funding ratio always 100%

The funding ratio is used to compare the accrued assets of an employee benefits institution to its obligations. The funding ratio for collective foundations offering full insurance is always 100%. The guarantees in the full insurance contract do not allow the foundations to have a cover shortage.

### ■ No recapitalisation contributions, no reduction in benefits

Finally, the shareholders are accountable via the capital that they make available to the insurance company as equity. If the obligations vis-à-vis the collective foundations are no longer completely covered by the tied-up assets of the insurance company, the tied-up assets must be immediately topped up using additional funds from the equity capital. The associated companies are therefore never burdened with recapitalisation contributions.

Only life insurers offer the security of the full insurance model. In the case of autonomous and semi-autonomous employee benefits institutions, cover shortages are tolerated by the supervisory authority for a short period and to a limited extent. If the cover shortage continues for too long or is too big, the supervisory authority intervenes and requires the pension fund to implement restructuring measures (e.g. increases in contributions or reductions in benefits).

**So simple. Just ask us.**

**Helvetia Insurance**

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