

**Operating statement 2010.
Group life insurance.**

2010

Transparent from conviction, successful through farsightedness.



Dear Readers,

Transparency in everything is in greater demand than ever before. Nowadays information on almost any topic is available at any time, and there are hardly any issues that are not being investigated critically by interested parties. The conduct of insurance companies in particular is also currently being put to the test.

Helvetia has always met all challenges head-on – from conviction. As always, the disclosures made by Helvetia in its operating statement for group life insurance (LOB) go far beyond what is required by the law and the authorities. With our new publication “Helvetia – News about 2nd pillar 2011”, of which we informed all associated companies at the end of the 2010 financial year and which is available on the internet, we have come another step closer to completely meeting the needs of our clients for information.

Helvetia can look back on a very pleasing and successful financial year 2010. Income from group life premiums rose by 6.8% and the number of insured increased by more than 5,000 persons to 183,337 thanks to the good new business results. As far as business financed by regular premiums is concerned, we successfully defended our position as number three in the market and also gained additional market shares.

In spite of the considerable growth in the number of policies, implementation costs rose only marginally, enabling us to reduce the costs per policy even further. Investment performance is also positive, and Helvetia earned an encouraging return in 2010 thanks to its forward-looking and differentiated investment policy. Our investment policy focuses on providing adequate risk cover in the long term

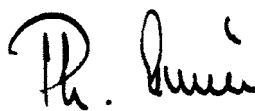
and is based on the full insurance model which guarantees clients full coverage of all their benefit claims at all times. Our business success confirms that demand for the full insurance model is unabated.

But sustained success can only be ensured by sustainable and forward-looking conduct. The group life business once again plays a central role in the Strategy 2015+ adopted for all of Helvetia Group in 2010. The growth rates of the past few years underline the real need in the market, mainly driven by SME. Occupational benefits insurance remains one of Helvetia’s core areas of expertise, and we will continue to expand this business area by adding new full insurance products. We also plan to offer alternative products that harbour greater potential for returns on investments, but these will only be suitable for clients who wish to and are able to accept all or part of the investment risks themselves.

Dear readers, security, reliability and transparency will continue to shape our actions in the future. We are convinced that this approach will allow us not only to meet the challenges of the times but also the demands of our clients.

We are looking forward to our continued collaboration and would like to thank you for your trust.

Helvetia Swiss Life Insurance Company Ltd



Dr. Philipp Gmür
Chairman of the Executive Management

Income statement.

The following income statement reports on Helvetia Insurance's income and expenses for its group life business in 2010, thereby providing information on the type, amount and elements of our success in this business segment.

Income statement

in 1 000 CHF, in accordance with the statutory financial statements	2010	2009
Income		
Savings premiums	1 717 757	1 587 333
Risk premiums	288 114	285 441
Cost premiums	84 432	84 077
Gross premium income earned	2 090 303	1 956 851
Direct investment income	354 133	341 149
Sales proceeds	1 905	-12 174
Exchange gains and losses	-1 871	-18 650
Balance of appreciation and depreciation	-6 269	4 254
Interest payable	-152	-3 927
Asset management costs	-15 276	-13 498
Net investment income	332 470	297 154
Other income	9 804	9 931
Reinsurance result	-13 710	-15 778
Total income	2 418 867	2 248 158
Expenses		
Retirement, death and disability benefits	469 841	461 457
Vested benefits	620 448	606 991
Surrender values due to termination of contracts	244 042	177 618
Insurance benefits paid	1 334 331	1 246 066
Retirement assets	508 955	436 897
Pension reserves	392 616	391 756
Vested benefits policies	14 407	1 782
Other	99	20 966
Change in actuarial reserves	916 077	851 401
Acquisition, benefits processing and administrative costs	86 007	84 543
Other expenses	5 043	6 705
Profit sharing allocated to profit fund	23 311	25 303
Operating result	54 098	34 140
Total expenses	2 418 867	2 248 158

Balance sheet figures.

With the following balance sheet, Helvetia Insurance provides information on the origin and use of the funds allocated to its group life business.

Balance

in 1 000 CHF, in accordance with the statutory financial statements	31.12.2010	31.12.2009
Assets¹		
Investments		
Cash and cash equivalents and fixed-term deposits	816 365 6.64%	590 915 5.20%
Fixed-income securities	7 052 552 57.39%	6 602 135 58.11%
Mortgages and other nominal value receivables	2 225 685 18.11%	2 018 992 17.77%
Equities and investment fund units	630 429 5.13%	517 909 4.56%
Private equity and hedge funds	80 031 0.65%	96 026 0.85%
Investments in associates and affiliated companies	43 539 0.35%	51 386 0.45%
Real estate	1 388 513 11.30%	1 464 722 12.89%
Other investments	52 397 0.43%	18 656 0.17%
Total	12 289 511	11 360 741
Liabilities¹		
Actuarial reserves, gross		
Retirement assets	7 257 408	6 748 453
Actuarial reserve for current retirement and survivors' pensions	2 341 524	1 988 169
Actuarial reserve for current disability pensions	1 092 844	1 053 583
Vested benefit policies	276 385	261 978
Reserve for incurred but outstanding claims	294 832	305 804
Inflation fund	267 242	257 120
Credited profit shares	113 669	116 809
Other actuarial reserves	16 737	56
Total	11 660 641	10 731 972

¹ Excerpt from the balance sheet in accordance with the disclosure regulations of the Swiss Financial Market Supervisory Authority FINMA

Investments.

The investment year 2010

Although the global economy recovered from the recession comparatively quickly and, driven by the dynamic development of Southeast Asia, returned to a solid growth path, the financial markets remained uncertain and vulnerable. Markets were burdened principally by the sovereign debt crisis in Europe and persistent unemployment in the US.

The central banks saw no other option but to continue their offensive monetary policy and to keep interest rates low, as a result of which the yield on ten-year Swiss government bonds temporarily dropped to 1%. Stock markets remained volatile during the year but most of them ended the year with a positive performance. Although some markets reported respectable double-digit growth, the marked weakness of the euro and the US dollar eroded these gains for Swiss franc investors. However, Helvetia posted a year-on-year improvement in investment income and direct portfolio yield in spite of falling market yields.

Stable portfolio structure

In the reporting year the investment volume grew by almost CHF 900 million. The new funds were mainly invested in fixed-interest securities, mortgages and, to a lesser extent, in equities. The changes to the portfolio structure were minor. At around 57%, the most important asset class is fixed-income securities, followed by mortgages and other nominal value receivables (18%) and real estate (11%). The remaining 14% is divided between equities and cash and cash equivalents.

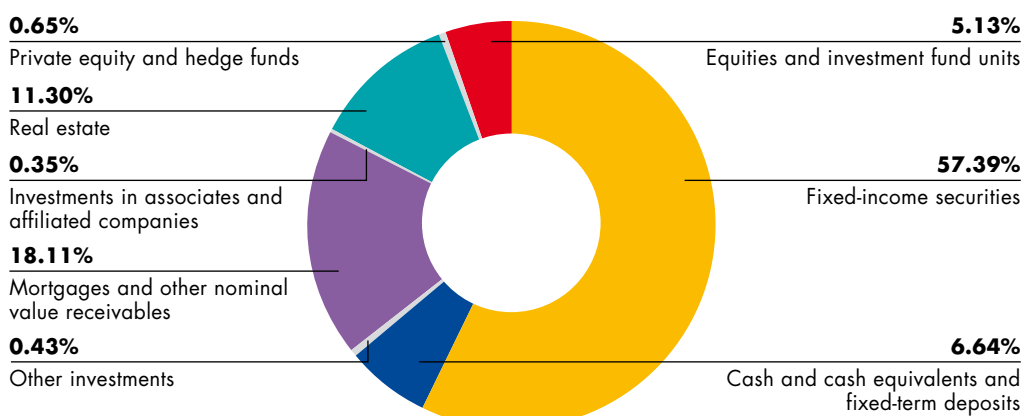
The portfolio quality is sustainably high. Credit ratings for bonds remain high and most of them have an A rating, with predominantly AA and AAA bonds. There were no defaults in the reporting year. Real estate and mortgages did very well and generated sustainable and stable income.

Successful hedging policy

In view of the volatile markets, shares and currencies were hedged at a high level throughout the year. This paid off for currencies in particular. The substantial losses in value recorded by the US dollar and the euro led to considerable losses on the underlying investments, which were almost entirely eliminated by gains on the hedging instruments. As a result the investment income was hardly affected by the falling exchange rates. Our tried-and-tested hedging concept has once again proved its worth.

Asset allocation

Investments by asset class as per 31.12.2010 (in % of book value)



Improved investment income

Investment income improved by CHF 37 million year-on-year to a total of CHF 348 million. The increase is explained by the higher investment volume as well as the fact that it was possible to improve the yield from 2.90% to 2.94% in spite of falling interest rates. In contrast, however, performance fell to 3.11% as the stock markets generated substantially smaller gains than in the excellent previous year.

Balance as per 31.12.2010, in 1 000 CHF	Book value	Market value
Investments		
At beginning of financial year	11 360 741	11 745 920
At end of financial year	12 289 511	12 706 880
Valuation reserves		
At beginning of financial year		385 179
At end of financial year		417 369
Change		32 190

Balance as per 31.12.2010, in 1 000 CHF	gross ¹	net ²
Investment income		
Investment income	347 746	332 470
Return on book values	2.94%	2.81%
Performance on market values	3.11%	2.98%

¹ incl. interest expenditure; before deduction of asset management costs

² incl. interest expenditure; after deduction of asset management costs

Legal Quote.

Business subject to Legal Quote

The statutory provisions governing the Legal Quote require that at least 90% of income be used to the benefit of the insured persons. This ensures that the insured persons participate appropriately in the profits earned by the insurance company.

Balance as per 31.12.2010, in 1 000 CHF	Savings	Risk	Costs	Total
Gross income	295 024	192 022	54 675	541 721
Allocated benefits	-217 732	-94 596	-51 072	-363 400
Gross result	77 292	97 426	3 603	178 321
Longevity risk				-64 700
Gap in cover from pension conversion				-49 300
Strengthening of disability and survivors' pensions				-13 900
Interest guarantees				-1 500
Creation/release of strengthening of reserves				-129 400
Allocation to profit fund				-9 014
Operating result for business subject to Legal Quote				39 907
Distribution rate				92.6%

In its business subject to the Legal Quote, Helvetia used a total of CHF 501.8 million to the benefit of the insured in 2010. This equals a distribution rate of 92.6%.

The benefits paid to the insured persons include the following components:

- Benefits allocated directly to the savings, risk and cost processes (see table): CHF 363.4 million
- Increase in reserves: CHF 129.4 million
- Allocation to profit fund: CHF 9.0 million

Helvetia sets an extremely high priority on the security of the pension assets. To eliminate future fluctuations and thus ensure continuity in the results, the reserves were strengthened in 2010 too. This is a good practice in view of prevailing demographic and economic conditions.

A consequence of these conditions is, for example, the shortfall in coverage which is caused by the difference between the statutory and the actuarially correct pension conversion rates. For the mandatory retirement assets of active and disabled insured persons, this shortfall currently amounts to around 0.4%.

Sources of revenue and most important expenses for the three processes

Process	Income	Allocated benefits
Savings	Net investment income	Rate of interest for retirement assets and the mathematical reserves for current pensions, conversion of retirement assets into retirement pensions
Risk	Risk premium	Payment of disability and survivors' benefits, accrual of mathematical reserves for new pensions
Costs	Cost premium	Services in connection with the administration of occupational benefits and insurance solutions and advising clients

Business not subject to Legal Quote

Contracts that contain a special regulation regarding profit sharing are partly or totally excluded from the statutory provisions governing the Legal Quote. The source of the results and their allocation to business not subject to the Legal Quote are shown below:

Balance as per 31.12.2010, in 1 000 CHF	Savings	Risk	Costs	Total
Gross income	37 446	96 092	29 757	163 295
Allocated benefits	-34 890	-46 799	-16 018	-97 707
Gross result	2 556	49 293	13 739	65 588
Longevity risk				-25 300
Gap in cover from pension conversion				-5 200
Strengthening of disability and survivors' pensions				-6 600
Interest guarantees				0
Creation/release of strengthening of reserves				-37 100
Allocation to profit fund				-14 297
Operating result for business not subject to Legal Quote				14 191
Distribution rate				91.3%

Contracts that contain a special contractual regulation regarding profit sharing include in particular

- contracts with an integral profit and loss account (so-called own bonus groups). Profit sharing is dependent upon the individual claims history of the contract;
- contracts where policyholders bear the investment risk themselves and therefore participate directly in the investment income.

The result of the business not subject to the Legal Quote was particularly affected by the Swisscanto collective foundations as employee benefits institutions with their own bonus groups. As a ratio of the total number of insured, the Swisscanto business accounts for almost one-third of Helvetia's total group life business. The investment risk of this business segment has not been reinsured with Helvetia.

Recapitulation of operating result

Balance as per 31.12.2010, in 1 000 CHF	Subject to Legal Quote		Not subject to Legal Quote		Total
Savings	295 024		37 446		332 470
Risk	192 022		96 092		288 114
Costs	54 675		29 757		84 432
Gross income	541 721	100.0%	163 295	100.0%	705 016
Benefits paid to insured persons	-501 814	92.6%	-149 104	91.3%	-650 918
Operating result	39 907	7.4%	14 191	8.7%	54 098

Profit fund.

The profit fund for group life business was allocated a total of CHF 23.3 million from the 2010 result. CHF 9.0 million of this is allocated to business subject to the Legal Quote.

Development of profit fund

in 1 000 CHF	Subject to Legal Quote	Not subject to Legal Quote	Total
Balance as per 31.12.2009	125 436	37 982	163 418
Allocation from operating result	9 014	14 297	23 311
Distribution to employee benefits institutions	-19 764	-32 805	-52 569
Balance as per 31.12.2010	114 686	19 474	134 160

For the business subject to the Legal Quote, surpluses in the amount of CHF 19.8 million were paid out in 2010. This concerns the risk surplus for 2009 that was credited to the employee benefit institutions retroactively on 01.01.2010 as well as the profit share of vested benefits policies for 2010.

The good business result for 2010 and a profit sharing policy that has given centre stage to continuity and stability in the past years allowed Helvetia to substantially increase the profit share compared to the previous year. On 01.01.2011, the following surpluses were credited retroactively for 2010:

Risk surplus for 2010¹

in %	Surplus rate
On risk premium disability	10
On risk premium death	25

¹ Clients with a special surplus agreement and group life contracts that are not related to the occupational benefit scheme do not qualify for a risk surplus.

Interest surplus and total return for 2010²

in %	Surplus rate	Guaranteed interest	Total return
LOB retirement assets	0.1	2.0	2.1
Supplementary retirement assets	0.5	2.0	2.5

² Applies for full insurance solutions of the Helvetia collective foundations and company-owned foundations with full insurance contracts

Total interest paid on the mandatory retirement assets is 0.4% lower than for the supplementary retirement assets as this reflects the loss on the conversion rate for the mandatory assets.

The profit fund

The profit fund contains reserves for future surplus participations. It is used to guarantee customers a long-term, stable surplus participation and to smooth out any fluctuations in the course of business. The reserves may only be used to the benefit of insured persons as part of their occupational benefit scheme. In accordance with the provisions of the Supervision Ordinance (AVO), an allocation from the operating statement must be paid out after five years at the latest, whereby the distribution may not exceed two-thirds of the profit fund.

Other key figures.

Inflation fund

The inflation fund is an actuarial reserve. It is used to finance the adjustment of current disability and survivors' pensions to the price index in accordance with the LOB.

Development of inflation fund

in 1 000 CHF

Balance as per 31.12.2009	257 120
Inflation premiums received	8 062
Tariff interest	3 255
Cost of adjusting risk pensions to increase in price index	-1 195
Balance as per 31.12.2010	267 242

Pension adjustment

The adjustment of pensions to the price index is governed by Art. 36 LOB. The adjustment to the increase in the cost of living is granted for the first time once the pension has been running for three years. The adjustments that ensue are made at the same time as the adjustment to the OASI pensions. As a result of this rule, the mandatory survivors' and disability pensions were adjusted on 01.01.2010 as follows:

Pension begins in year/period	Rate of adjustment in %
1985–2005	0.0
2006	2.7

The adjustment rates are calculated and published by the Federal Social Insurance Office (FSIO) in line with the Swiss consumer price index.

Number of insured persons and contracts at the end of the financial year

	2010	2009
Active insured	154 425	149 745
Pension recipients	17 543	16 918
Vested benefits policies	11 369	11 497
Number of insured persons	183 337	178 161
Number of group insurance contracts	16 653	16 205

Interest and conversion rates 2010

	Supplementary system in %
Interest on retirement assets	2.000
Men (age 65)	5.835
Women (age 64)	5.574

Implementation costs

in 1 000 CHF	2010	2009
Acquisition costs	19 192	24 082
Benefits processing costs	6 268	6 706
Cost of general administration	60 547	53 755
Reinsurance share of administrative costs	-7 887	-6 610
Total implementation costs	78 120	77 933
Average implementation costs per insured person (in CHF)	426	437
Average cost premium per insured person (in CHF)	461	472

Helvetia posted strong growth in 2010 for the number of contracts as well as the number of insured persons. This led to a slight increase in the implementation costs. Due to changes in cost distribution, the allocation of the implementation costs in 2010 to the categories "Acquisition costs" and "Cost of general administration" cannot be compared with the previous year. The average cost was further reduced to CHF 426 per person.

When calculating the average cost per insured person, all types of insurance (insurance at full value, risk insurance, etc.) are taken into account. These costs, however, vary according to the level of service provided.

Asset management costs

in 1 000 CHF	2010	2009
Average investments at market value	12 226 400	11 003 561
Asset management costs	15 276	13 498
Asset management costs in % of investments	0.12	0.12

All the internal costs in connection with the investment business and external fees (safekeeping account fees, other fees, costs of alternative investments, etc.) are included in the asset management costs.

These costs do not include transaction costs or real estate expenses, which are deducted from income as is customary in the sector. At 0.12% of the average investments, Helvetia's cost ratio is well below the current sector average in 2010 too.

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