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Media release

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Helvetia posts solid results in occupational benefits insurance – occupational benefits (LOB) reform remains an urgent issue

Helvetia Insurance has posted solid results for occupational benefits, in part due to the action the company took at the start of 2020 to reduce redistribution from active insured persons to pensioners that contradicts the rationale of the system. Although Helvetia thus made use of the scope granted to it under the current regime, a reform of the LOB system remains an urgent necessity.

Last year, Helvetia Insurance posted premium volume of CHF 2,068.2 million for occupational benefits, down 22 percent year on year (2019: CHF 2,663.0 million). The decline was due to the collective life tariff introduced at the beginning of 2020. "The launch of the new collective life tariff was a strategic decision, whereby we utilized the scope available to us to reduce the non-systemic redistribution. At the same time, we bolstered the profitability of our Swiss collective life business going forward", explains Hedwig Ulmer, Head Pension Provisions and a member of Helvetia's Executive Management Switzerland. Regular-premium business decreased by 16 percent to CHF 1,091.5 million. Single-premium business declined by 28 percent to CHF 976.7 million.

Continuity and stability – the hallmarks of surplus sharing

For business subject to the minimum distribution ratio, Helvetia used a total of CHF 426.6 million to the benefit of the insured persons in 2020, which equates to a payout ratio of 90.6 percent (2019: 92.2 percent). A portion of this amount was used to strengthen reserves.

In the past, Helvetia's policy with surpluses has focused on continuity and stability. This consistent surplus policy, and the good business results in 2020, allow an appropriate sharing of surpluses. For business subject to the minimum distribution ratio, mandatory retirement savings under LOB earned the minimum rate of interest of 1 percent. Supplementary retirement savings attracted 0.75 percent. In addition to an interest surplus for supplementary retirement savings, a risk surplus was also granted.

Operating expenses again lower

As in 2019, total operating expenses declined in 2020, by CHF 3.3 million or 3 percent to CHF 97.9 million. Operating expense per active insured person was at the 2018 level but rose by 9 percent compared with the previous year to CHF 477 owing to the smaller portfolio (2019: CHF 438).

Net performance based on market values was 2.05 percent in 2020. After the massive drop in March, market values recovered and were well into positive territory again at the end of the year. Thanks to the support provided by central banks, the market quickly calmed down, share prices recovered and risk premiums on bonds declined again, in turn pushing up bond prices.

The number of collective contracts fell by 4 percent to 17,286 (2019: 18,019), while the number of insured persons declined by 10 percent to 222,436 (2019: 247,411).

Non-systemic redistribution reduced, but still at a high level

The statutory requirements in the 2nd pillar continue to compel all providers to accept a high level of non-systemic redistribution from active insured persons to pensioners. With the launch of its new collective life tariff at the start of 2020, Helvetia made use of the scope available to it and implemented a range of measures designed to reduce this redistribution. Key elements of the new tariff include an incremental reduction in the conversion rate (with the principle of set-off) and selective premium increases. The new tariff has had a positive impact on Helvetia's SST ratio. Though it has enabled Helvetia to reduce redistribution within its own portfolio, at CHF 119 million, the amount redistributed nevertheless remains high (2019: CHF 185 million).

The unremittingly high level of redistribution shows that a reform of the occupational benefits system (LOB) remains an urgent necessity. Anja Göing-Jaeschke, Head Actuarial Services Life Switzerland at Helvetia, explains: "The parameters of the 2nd pillar – such as the conversion rate and minimum interest rate – match neither the demographic trend nor today's extremely low interest rates. Only if these parameters are altered will we be able to resolve the systemic crisis of the 2nd pillar." As Hedwig Ulmer adds: "An initial reduction in the conversion rate to 6.0 percent is a key element of the LOB reform and has been on the agenda for years. It is now up to legislators to integrate this as quickly as possible into a reform proposal that can gain majority support."

The 2020 operating statement for Helvetia Switzerland's occupational benefits business can be found at www.helvetia.ch/facts-figures-lob.

This media release is also available on our website www.helvetia.ch/media.

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In over 160 years, the Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Helvetia is one of the leading all-line insurers in its home market of Switzerland. With the countries Germany, Italy, Austria and Spain, which have been combined to form the Market Area Europe, the company has a second strong pillar. With its Specialty Markets market area, Helvetia is also present in France and in selected regions worldwide. Some of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg. The Group is headquartered in St.Gallen, Switzerland.

Helvetia is active in the life and non-life business, and also offers customised specialty lines and reinsurance cover. Its business activities focus on retail customers as well as small and medium-sized companies and larger corporates. With some 11,600 employees, the company provides services to more than 7 million customers. With a business volume of CHF 9.71 billion, Helvetia generated an IFRS result after tax of CHF 281.7 million in financial year 2020. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

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