Media release

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Helvetia remains a reliable partner for occupational pensions

Helvetia Insurance delivers solid performance with occupational-pension business in 2016. Demand from SMEs for full-insurance solutions remains strong, making the Pensions 2020 reform package even more important. Helvetia wants to remain a reliable partner for 2nd-pillar products going forward.

At CHF 2,661 million, premium income in 2016 was up CHF 114 million or 4.5 percent on the previous year. Whereas regular premiums were stable at CHF 1,215 million, single-premium business grew by 8.3 percent to reach CHF 1,446 million, mainly due to the transfer of surpluses to old-age savings.

The number of collective insurance agreements declined slightly, from 17,826 to 17,809, while the number of insured persons rose from 219,155 to 222,376. Despite the decrease in collective insurance agreements, demand from companies – especially for full-insurance contracts – remained strong. In the ongoing unfavourable environment – characterized by excessively high conversion rates and high minimum interest rates for compulsory occupational pension insurance – Helvetia has been pursuing a deliberately cautious underwriting policy when it comes to new full-insurance customers. In so doing, the Company intends to lessen the burden on active insured persons brought about by the further redistribution of funds within its in-force portfolio.

Full insurance remains essential to SMEs

There has been increasing interest in semi-autonomous products from Helvetia, such as the Helvetia LOB Invest Group Foundation or top-up solutions. Demand has also been good for Swisscanto's Group Foundation, for which Helvetia provides reinsurance and administration services. "Highly flexible solutions like these are becoming more and more popular," says Donald Desax, Head Group Life Helvetia Switzerland and a member of its Group Management Team, commenting on this trend.

However, full-insurance products – which unlike semi-autonomous solutions guarantee full cover for old-age savings at all times – remain essential to many SMEs and account for the vast majority of Helvetia's occupational pension business. They offer companies not only a high degree of security in the 2nd pillar, but also substantially lower their administrative and regulatory burden.

Yes to the Pensions 2020 reform package despite major drawbacks
"Helvetia will do everything it can to maintain the attractiveness of full-insurance solutions and the guarantees they provide", assures Donald Desax. That is why Helvetia supports the draft Pensions 2020 reform package. A reform is both unavoidable and urgent if the existing imbalances in the pension system are not to become even more acute. Harmonization of the retirement age for men and women and the lowering of the conversion rate from 6.8 to 6 percent are important steps in the right direction.

However, these measures are insufficient to completely eliminate the imbalances in the 2nd pillar. What is more, the reform package includes a number of requirements that will further restrict the freedom of providers of full-insurance solutions. The limits set for risk premiums and the requirements concerning bonus allocation will reduce insurers' scope to offer their customers optimum solutions for their occupational-pension needs.

Wide-scale cross-subsidization remains
Given constantly rising life expectancy and stubbornly low returns on investments, even a conversion rate of 6 percent will not be sufficient to convert new pensioners' old-age assets into retirement pensions that will last their entire lives. It will still be necessary, therefore, to finance the shortfall at the expense of the active insured persons. As Beat Müller, Head Actuarial Services and a member of Helvetia's Group Management Team, calculates: "With a conversion rate of 6 percent and an expected return on investment of 2.0 percent, the amount of cross-subsidization required when a 65-year-old man retires still comes to around 19 percent of the capital converted into an annuity." Consequently, old-age savings of CHF 500,000 have to be topped up by almost CHF 100,000 in order to finance the pension.

Without cross-subsidization of this kind, the risk premiums of active insured persons could have been reduced by 80 percent last year, as other statistics from Helvetia reveal. With full-insurance products, a substantial portion of the risk premiums is needed to secure the retirement benefits. Last year, for example, the corresponding provisions at Helvetia had to be bolstered by a further CHF 147 million, CHF 142.7 million of which was needed for business subject to the minimum distribution ratio.

Distribution rate of over 90 percent
Together with the additional benefits paid, 90.8 percent of gross premiums for business subject to the minimum distribution rate were paid out to the insured persons. The distribution rate for business not subject to the minimum distribution rate was 91.8 percent. At CHF 70.9 million, the operating profit was virtually un-

changed year over year, as can be seen in Helvetia's recently published income statement for 2016.

Helvetia's solid business performance in 2016 enables it to pay interest of 1.0 percent on supplementary assets, in addition to the guaranteed interest rate of 1.25 on compulsory assets. The Company can also distribute a risk surplus of 5 percent of risk premiums.

Operating expenses per active insured person were largely unchanged at CHF 428 and asset management costs remained low at 0.29 percent. Whereas performance relative to 2015 was 54 basis points better at 2.29 percent, the direct return, which is so important for business, was almost unchanged at 2.25 percent.

Please find attached a fact sheet with the key figures and terms.

Photographs:
Photo I: Donald Desax, Head Group Life Helvetia Switzerland and member of Helvetia's Group Management Team
Photo II: Beat Müller, Head Actuarial Services and member of Helvetia's Group Management Team

This press release can also be found on the website www.helvetia.ch/media.

The operating account collective life 2016 of Helvetia Switzerland can be found on www.helvetia.ch/facts-figures-lob.

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About the Helvetia Group
In over 150 years, the Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Today, Helvetia has subsidiaries in its home market Switzerland as well as in the countries that make up the Europe market area: Germany, Italy, Austria and Spain. 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 and Jersey. 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 6,500 employees, the company provides services to more than 5 million customers. With a business volume of CHF 8.51 billion, Helvetia generated underlying earnings of CHF 491.8 million in the 2016 financial year. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

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