

# AXA Winterthur: Sound result in occupational benefits insurance

**AXA Winterthur posts a sound 2016 operating result of CHF 215 million in occupational benefits insurance, New business was increased by 6.5% to CHF 230 million. 91% of business subject to the minimum distribution ratio (MDR) benefited the insured persons.**

AXA Winterthur can post a sound result in occupational benefits insurance for the 2016 reporting year. Premium income fell by around CHF 681 million (-9.0%) to CHF 6.9 billion (2015: CHF 7.5 billion) due to the reduction in the risk tariff as of January 1, 2016 and the decision to discontinue offering vested benefits policies. This decision led to a downturn of CHF 772 million in single premiums for vested benefits. Over the same period, indemnities rose by 7.7% to CHF 7.3 billion (2015: CHF 6.7 billion). Profits from the occupational benefits insurance business decreased by about 7% to CHF 215 million (2015: CHF 231 million).

## Renewed growth in the semi-autonomous business

With 406,183 active insured persons (2015: 414,259) the premium income of CHF 6.9 billion comprised CHF 3.6 billion in single premiums (-14.6%) and CHF 3.3 billion in annual premiums (-1.9%). Traditional new business (APE) amounted to CHF 230 million in the past year, which represents an increase of 6.5% year-on-year. Extended new business (EAPE), in which the savings contributions from semi-autonomous insurance solutions are also included, rose by 23.7%. Costs per insured person increased to CHF 448 due to the reduced number of active insured persons (prior year: CHF 424).

## Two billion francs for insured persons

In business subject to the MDR, AXA posted applicable revenue of some CHF 2.3 billion in 2016. 91% of this, or around CHF 2.1 billion, benefited the insured persons: they received CHF 1.5 billion in the form of benefits paid; CHF 572 million were allocated to set up additional provisions for future benefits, while about CHF 35 million were posted as allocations to the surplus fund. The operating result for business subject to the MDR declined slightly to CHF 206 million (prior year: CHF 211 million).

## Redistribution slightly below prior year's level

We were pleased to note a slight reduction in redistribution from active insured persons to new pensioners. The gradual reduction of the conversion rate for extra-mandatory benefits to 5% by 2018 had a particularly positive impact in this regard. Even so, the redistribution was still CHF 811 million in 2016 (2015: CHF 827 million). Compensation for the conversion rate loss accounted for some CHF 241 million in the current year. In a challenging environment of sustained low interest rates combined with the ongoing investment crisis, AXA achieved an adequate net return on investment of 2.86% on book value (2015: 3.17%).

Summarizing the situation, Thomas Gerber, Head of Life, says: 'The occupational benefits insurance business continues to be very challenging. Given this background, we are satisfied with the result. On the one hand, we were able to continue strengthening the provisions for insured persons and on the other, we managed to achieve a slight reduction in the incongruous redistribution from active insured persons to pensioners. We also achieved attractive returns despite the difficult investment environment.'

### **Position on Pensions 2020**

The Swiss electorate will vote on the Pensions 2020 reform on September 24, 2017. In overall terms, AXA backs the Pensions 2020 reform. It is urgently needed to ensure the financial stability of the three-pillar system in the medium term, and to reduce the incongruous redistribution within occupational benefits insurance. This represents a major step towards cross-generational fairness in Pillar 2. AXA backs the bill, although life insurers are not happy about two of its technical points. 'We attach more importance to the reduction of the conversion rate, the harmonization of retirement ages and to making retirement more flexible,' according to Antimo Perretta, CEO of AXA Winterthur. 'This reform is better than the status quo and without a reform, we would have to start from scratch again. The Pensions 2020 reform is the first step, but further reforms are clearly needed.'

## Glossary

### Technical provisions

These provisions show the value of contractual obligations toward insured persons that must be guaranteed in the long term. Insurers are obliged to form adequate provisions and to review their adequacy regularly on the basis of the currently applicable mathematical parameters, adhering to the principle that permanent ability to meet the obligations from the insurance contracts must be ensured. The following positions are taken into account when calculating the technical provisions: retirement assets of active insured persons, actuarial reserve for current pensions, surplus participation fund and credited surplus portions.

### Minimum distribution ratio (MDR, Legal Quote)

The minimum distribution ratio (Legal Quote) is a statutory regulation applicable to private insurers which governs the distribution of profits between insured persons and the insurer (Insurance Supervision Act (ISA) Art. 37, Insurance Supervision Ordinance (ISO) Arts. 147 ff.). The minimum distribution ratio stipulates that at least 90% of earnings (also referred to as 'applicable revenue') must be used to benefit the insured persons in the form of indemnities, increases in reserves and allocations to the surplus fund. The applicable revenue consists of investment income plus cost and risk premiums. Life insurers may claim no more than 10% of this income as compensation for the risk capital made available for guarantees to customers.

### Conversion rate / redistribution

The conversion rate refers to the rate that is used when converting retirement assets accrued in the pension fund into a pension. At a conversion rate of 6.8%, retirement assets of CHF 100,000 produce an annual pension of at least CHF 6,800. The conversion rate is an actuarial value based on life expectancy and investment returns. These two parameters have changed substantially in recent years. However, the statutory conversion rate has barely been adjusted to reflect the increase in life expectancy and developments on the financial markets. Because the conversion rate is too high, a pensioner's retirement capital is now used up prematurely; in the saving process, this results in a redistribution from active insured persons to pensioners.

### Operating statement for the group life business

For the tenth time, AXA Winterthur is publishing the results for the group life business in 2016 in accordance with the disclosure schedule specified by the Financial Market Supervisory Authority (FINMA) in connection with transparency requirements. The basis is provided by the statutory financial statements of AXA Life Ltd., which (for example) govern the allocation of surpluses to the insured persons. In 2003, Winterthur (as it then was) became the first life insurance company to have its operating statement for the Swiss group life business audited by its auditor in addition to the statutory annual financial statements. Relevant information for the public has been released on an annual basis.

## Additional information

This media release is available online at: [AXA.ch](http://AXA.ch)

## Online you can visit us also on

<https://blog.axa.ch/>

<http://www.youtube.com/axaschweiz>

[https://mobile.twitter.com/AXACH\\_Media](https://mobile.twitter.com/AXACH_Media)

<http://www.xing.com/companies/AXAWINTERTHUR>

[http://www.twitter.com/AXA\\_Schweiz](http://www.twitter.com/AXA_Schweiz)

[http://www.flickr.com/photos/AXA\\_CH](http://www.flickr.com/photos/AXA_CH)

<http://www.facebook.com/AXACH>

[http://www.slideshare.net/AXA\\_CH](http://www.slideshare.net/AXA_CH)

## Contact

AXA Winterthur, [Media Relations](#), +41 58 215 22 22, [media@axa.ch](mailto:media@axa.ch)

### About the AXA Group

Some two million customers trust AXA Winterthur. They rely on AXA's experience and advice in personal, property, liability and life insurance as well as occupational benefits insurance. The leading Swiss insurer is a dynamic organization with an ambitious vision: to create freedoms for its customers over and above financial security and make a care-free life possible - using simple, digital processes and innovative products and services in important areas of life such as mobility, living and entrepreneurship. Some 4,000 employees and 2,500 colleagues in 276 general agencies and agencies dedicate themselves to this vision day in, day out. AXA Winterthur is part of the AXA Group and generated business volume of CHF 11 billion in 2016.