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The Actuarial Profession in Switzerland

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1. The Regulatory Framework

1.1 Insurance Regulation

a) Federal Insurance Supervision Act (VAG)

The Federal Insurance Supervision Act that is in revision regulates the supervision of the Swiss Insurance Industry. The Act is in large parts in conformity with the principles of the Insurance Supervision in the European Union (EU). To date there is no obligation for any Insurance Company to appoint an Actuary. The supervision principles are Consumer Protection in a large sense through regulating and monitoring the Solvency Level. The current Swiss Solvency Level is in conformity with the improved Solvency I – Regulation in the EU.

The planned changes are commented under “Current Developments” later in this report.

b) Federal Occupational Pensions Act (BVG)

The Occupational Pensions Act regulates the Mandatory Occupational Pensions Schemes as well as the Voluntary Occupational Pensions Plans (Organisation and Financing). Federal Approved Pension Actuaries have to advise on technical matters while accounting matters have to be audited by auditors, both mandatory. The Minimum Solvency Level depends of the legal form of the Pensions Scheme or Plan. It is different for self-governing Pensions Schemes and those guaranteed by Insurance Company.

c) Federal Civil Code (CC, mandatory) and Accounting Standards of Swiss GAAP FER (Swiss Generally Accepted Accounting Principles) regulate accounting. Non-listed Companies need only comply with the Federal Civil Code whereas listed

Companies (Swiss Stock Exchange) have in principle to comply with IFRS or US-GAAP or with any other International Accounting Standard.

1.2 The Membership Structure of the Swiss Association of Actuaries (SAA)

- a) Associate Members
The Swiss Association of Actuaries is open to any individual with an actuarial background or interest. So the membership category of Associates contains individuals at various stages of the qualification process and not all Associates go on to complete the exams for Qualified Actuary.
- b) Federal Approved Pension Actuaries (Eidg. Dipl. PVE)
The Federal Occupational Pensions Act stipulates that Occupational Schemes and Plans have to appoint a Federal Approved Pension Actuary for technical matters. This qualification is open to anybody who passes the Approved Pension Actuaries Exams. Individuals who have qualified in this field can apply for membership of the Swiss Association of Actuaries. If admitted, these individuals are in the membership category of Associate Members.
- c) Qualified Actuaries (Actuary SAA)
There is a membership category of Qualified Actuaries, i.e. individuals who have passed examinations in conformity with the International Actuarial Syllabus (IAA and GC). The Swiss Association of Actuaries is the organiser of such education (see below).

1.3 Professional Regulation

The Swiss Association of Actuaries regulates the profession with the following by-law (in brackets: date of the current issue):

- a) By-Law of the Swiss Association of Actuaries (September 2, 1995)
- b) Code of Conduct for the Qualified Actuary (September 2, 1995)
- c) Different Guidance Notes for the Qualified Actuaries (Report of the Appointed Actuary (see: Current Developments); Implementation of IFRS 4)
- d) Code of Conduct and Guidance Notes for Pension Actuaries (August 28, 2000)
- e) By-Law for the Professional Councils (Pension Actuaries and Qualified Actuaries, September 6, 1997)

2. Education

2.1 Federal Approved Pension Actuary (in German: Eidg. Dipl. PVE)

The Federal Occupational Pensions Act stipulates that the occupational pensions have to be guaranteed for the employees of every business enterprise by one of the independent Occupational Pensions Schemes. The actuarial reporting for these Pensions Schemes is the duty of Approved Pension Actuaries.

The Swiss Association of Actuaries is the organiser of the Federal Examination for these actuaries (Regulations for the Federal Examination of Approved Pension Actuaries and Guidance to the Regulations).

Every year the Swiss Association of Actuaries realises preparatory courses, first and main examination. The Federal Approved Pension Actuary is the statutory actuary in the sense of the Federal Occupational Act. She or he is not a Qualified Actuary in the sense of the core syllabus of the IAA and the Groupe Consultatif Actuariel Europeen (GC).

2.2 Qualified Actuary (Actuary SAA, in German: Aktuar SAV)

The Insurance Legislation Treaty between the European Union and Switzerland in the nineties of the last century gave way to the deregulation of the Swiss Insurance Market and the introduction of modern Solvency Control. The introduction of the obligation to appoint an actuary for insurance companies was discussed at that time and the Swiss Association of Actuaries decided to introduce a membership category of Qualified Actuaries, based on the Core Syllabus of IAA and GC. The appointment of an Actuary will be introduced with the revision of the Federal Insurance Supervision Act in 2006 (see "Current Developments" below).

The Qualified Actuary (title: Actuary SAA) is a "full member" in the sense of IAA and GC and his education is as follows:

- a) University Degree in Mathematics or Actuarial Sciences at an University with an actuarial science education structure accordingly to the SAA Syllabus and agreed by the Swiss Association of Actuaries (SAA) (actually: Universities of Basel, Berne, Lausanne, Zürich and the Swiss Federal Institute of Technology Zurich).
- b) Practical Employment in the Actuarial Department of an Insurance Company of 3 years duration.
- c) SAA Final Examination on an actual actuarial topic and the Code of Conduct.

The Swiss Association of Actuaries is the partner of the universities in the organisation of their actuarial education schemes and the organiser of the SAA Final Examination.

The time needed to comply with this examination is about 8 years (about 5 years university training and 3 years of practical employment).

The structure of the SAA Core Syllabus is the following:

- I. Basic Training
 - I.1 Fundamentals of mathematics
 - I.2 Fundamentals of stochastics
 - I.3 Fundamentals of computer science
- II. Basic Actuarial Training

- II.1 Principles of Insurance
- II.2 Fundamentals of actuarial science
- II.3 Fundamentals of economics
- II.4 Introduction to finance and accounting

III. Specialized Actuarial Training

- III.1 General Courses (Review of markets, Risk management of insurers, Actuarial control cycle)
- III.2 Advanced Finance
- III.3 Branch-specific courses (Selected topics in the mathematics of life insurance, non-life insurance and health and accident insurance)

2.3 CPD for Qualified Actuaries

The Swiss Association of Actuaries is currently organising the structure to provide courses in the next year.

3. Current Developments

3.1 Federal Insurance Supervision Act (2006) and Swiss Solvency Test (SST)

In Switzerland a new supervision law is in preparation and will probably be in force in 2006. In the current regime, all life products need an approval by the regulator before they are launched on the market. This will change in the sense of a solvency driven supervision. For non-life products, the approval of products was cancelled in the middle of the nineties.

Product control by the regulator will be replaced by a stronger supervision on solvency and risk management. Actuaries are more involved in two domains:

- a) The law will introduce the new function of "appointed actuary". Due to the experience in UK and other countries, responsibility will be given less to the actuary than in other countries. The actuary will not report to the regulator. This responsibility is clearly given to management.

We believe that the actuary can efficiently contribute in this way to balanced corporate governance: management is responsible for all business activities. It is audited by an external auditor and supervised by the board of directors and the supervision authority. The actuary is therefore obliged to analyse the business risks and to inform management. Auditors and supervision authorities may ask to see the actuarial report to the management.

- b) A new solvency regime will be introduced, based on a statutory and economic point of view. This new Swiss Solvency Test is based on the EU principles for solvency II and the current systems in other countries, mainly Canada, Australia and USA (see the White Paper in the appendix).

The regulator has developed the Swiss Solvency Test in collaboration with actuaries from the industry and consultants. A field-test with some life and non-life companies ended a few days ago with the reports of the participants to the regulator.

The Swiss Association of Actuaries has been involved in the wording of the new legislation. The current challenges are the training of actuaries and giving guidance for reserving and market-consistent valuation of liabilities.

3.2 Federal Occupational Pensions Act

The recent revision requires more transparency for policyholders. Pension Funds and Insurance Companies active in the second tier business have to comply with this new regulation.

Training of actuaries will be adapted accordingly.

3.3 Swiss Stock Exchange

Listed insurance companies have to comply with international accounting standards as of January 1st, 2005, either IAS/IFRS or US-GAAP or other international standards.

Work and training of actuaries will take these changes into account.

4. Conclusions

In both the public and in the political arena there is a need for information and advice by trained actuaries in questions on the risk situation (actuarial and financial) of Pensions Schemes, Health Funds and Insurance Companies. That is the reason behind the obligation to appoint actuaries with appropriate knowledge and experience: Pension Actuaries for Pensions Schemes and Funds, Appointed Actuaries (Qualified Actuaries) for Insurance Companies (probably as of January 1st, 2006).

Appropriate knowledge means

- Technical skills described by a Core Syllabus (Actuary SAA) or Guidance Notes (Pension Actuaries)
- Practical experience in technical and managerial employment and in communication
- Behavioural conduct in conformity with the responsibility of the actuary with regards to supervision, shareholders and policyholders.

In the opinion of the Swiss Association of Actuaries it is of paramount importance that all three parts of actuarial education are of high quality and of universal application. The way this education is supplied, either examinations by the actuarial bodies (as e.g. in the UK and Germany) or university degrees and practical experience under supervision of actuarial bodies (as e.g. in Switzerland) is of little importance; both ways enable highly qualified and responsible actuaries, to be available to the public and the industry.

Furthermore, the Swiss Association of Actuaries advocates the efforts of national and international bodies to control the entry in the profession and to apply and maintain

appropriate technical and behavioural standards. It also advocates the efforts to harmonise and recognise these standards worldwide and to implement continuous professional development.

Appendix

- White Paper on the Swiss Solvency Test