

Swiss Association of Actuaries guidelines on the assignment of adequate technical life reserves pursuant to FINMA circular 2008/43 "Life insurance reserves"

Parameters for the minimum requirements test as of 31 December 2023

Adopted by the Management Board of the Swiss Association of Actuaries on 1st December 2023

Parameters for the minimum requirements test

The following parameters must be used for the minimum requirements test for the reserves for simple products as at **31 December 2023**. The parameters or tables are each designated P10.2.x or Ty so that the correlation with the parameters or tables (with identical names) in the guidelines is clear.

Yield and longevity scenario

Investment category	Assumed yield																		
Shares (incl. investment funds)	75% (P10.2.1) of the best estimate, however a maximum of 3.5% (P10.2.2) of the market value																		
Alternative investments	<p>$(100\% - v \cdot 25\%)$ (25%: P10.2.3) of the best estimate, up to a maximum of $v \cdot 3.5\%$ (P10.2.4) of the market value</p> $v = \frac{\sigma_{Alternative\ Investments}}{\sigma_{Shares}}$ <p>The resulting return based on the market values should not be higher than the assumed return on shares.</p>																		
Investment properties	90% (P10.2.5) of the best estimate, however a maximum of 3.0% (P10.2.6) of the market value																		
Bond portfolio	<p>Amortised cost income less the following (absolute) discount depending on the rating category:</p> <p>Rating Discount on yields (parameter table T1)</p> <table> <tr><td>AAA</td><td>0.00%</td></tr> <tr><td>AA</td><td>0.10%</td></tr> <tr><td>A</td><td>0.15%</td></tr> <tr><td>BBB</td><td>0.45%</td></tr> <tr><td>BB</td><td>2.50%</td></tr> <tr><td>B</td><td>10.00%</td></tr> </table> <p>Basis markdown for exchange risk (parameter table T2)</p> <table> <tr><td>Currency</td><td>Basis</td></tr> <tr><td>EUR</td><td>0.15%</td></tr> <tr><td>USD</td><td>0.40%</td></tr> </table>	AAA	0.00%	AA	0.10%	A	0.15%	BBB	0.45%	BB	2.50%	B	10.00%	Currency	Basis	EUR	0.15%	USD	0.40%
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Parameter for the basis interest rate curve (parameter table T3)	<table border="1"> <thead> <tr> <th>FX</th> <th>Last Liquid Point</th> <th>Ultimate Forward Rate</th> <th>alpha</th> </tr> </thead> <tbody> <tr> <td>CHF</td> <td>15 years</td> <td>1.50%</td> <td>0.1</td> </tr> <tr> <td>EURO</td> <td>30 years</td> <td>2.50%</td> <td>0.1</td> </tr> <tr> <td>USD</td> <td>50 years</td> <td>2.50%</td> <td>0.1</td> </tr> </tbody> </table>	FX	Last Liquid Point	Ultimate Forward Rate	alpha	CHF	15 years	1.50%	0.1	EURO	30 years	2.50%	0.1	USD	50 years	2.50%	0.1		
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Bond reinvestments	<p>Expected returns are determined according to the forward rates of the interest rate curve with the following maximum increase:</p> $\frac{1}{3} \max(1.75\% - 10\text{ year reference swap rate}, 0.0\%)$ <p>where the value 1.75% represents P10.2.7 in the formula . Furthermore, the future reinvestment yield never rises over 1.75% (P10.2.7).</p>																		
Convertible bonds	Convertible bonds are split between a bond-component and an equity-component. The bond component is treated similarly to bonds. The equity component is treated similarly to shares.																		
Mortgage portfolio	93% (P10.2.8) of the portfolio's interest income																		
Mortgage reinvestments	Bond reinvestment yields increased by 80 basis points (P10.2.9)																		
Money market	Like bond reinvestment yield, however the future reinvestment yield never exceeds 0.75% (P10.2.10).																		

Parameter table T4	Individual insurance: Safety loading or markdown	Collective insurance: Safety loading or markdown
Mortality for pension insurance	2.92%	2.92%
Reduced mortality for pension insurance	5.85%	5.85%

Biometrics and costs scenario

Parameter table T5	Individual insurance: Safety loading or markdown	Collective insurance: Safety loading or markdown
Mortality for endowment insurance	8.25%	8.25%
Mortality for pension insurance	5.85%	5.85%
Reduced mortality for pension insurance	11.70%	11.70%
Demographic data	Not available	None
Disability	11.70%	17.55%
Probability of withdrawal of disabled persons (to review applicable insurances)	11.70%	11.70%
Average level of disability	None	None
Probability of withdrawal of disabled persons (to review ongoing benefits)	16.50%	16.50%
Costs	8.25%	8.25%
Cancellation	None	None
Reinsurance costs	None	None
Exercise of pension option on retirement	Not available	11.70%

Customer behaviour scenario

Parameter table T6	Individual insurance: Safety loading or markdown	Collective insurance: Safety loading or markdown
Cancellation	24.75%	41.25%

Reserve for inflation risk for occupational pensions

Parameter P10.2.11	Group insurance:
Minimum level of the reserve for inflation risk in % of the mathematical reserve for current annuities subject to inflation	36.00%