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

Parameteres for the minimal requirements test as at 31.12.2021

Adopted by the Management Board of the Swiss Association of Actuaries on 27 August 2021

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 **31.12.2021**:

Yield and longevity scenario

Investment category	Assumed yield
Shares (incl. investment funds)	**75%** of the best estimate, however a maximum of **3.5%** of the market value
Alternative investments	$(\mathbf{100\%} - \boldsymbol{v} \cdot \mathbf{25\%})$ of the best estimate, up to a maximum of $\boldsymbol{v} \cdot \mathbf{3.5}\%$ of the market value, with: $$v = \frac{\sigma_{Alternative\,investments}}{\sigma_{Shares}}$$ The resulting return based on the market values should not be higher than the assumed return on shares.
Investment properties	**90%** of the best estimate, however a maximum of **3.0%** of the market value
Bond portfolio	Amortized cost income less the following (absolute) discount depending on the rating category: **Rating** **Discount on yields** AAA **0.00%** AA **0.10%** A **0.15%** BBB **0.45%** BB **2.50%** B **10.00%** **Basis markdown for exchange risk:** **Currency** **Basis** EUR 0.15% USD 0.40%

Parameter for the basis interest rate curve	FX	Last Liquid Point	Ultimate Forward Rate	alpha
	CHF	15 Jahre	1.50%	0.1
	EURO	30 Jahre	2.50%	0.1
	USD	50 Jahre	2.50%	0.1

Investment category	Assumed yield
Bond reinvestments	Expected returns are estimated according to the forward reference interest rate curve, with the following maximum increase: $$\frac{1}{3}\max(1.75\% - 10\ year\ reference\ swap\ rate, 0.0\%)$$ Furthermore, the future reinvestment yield never rises over **1.75%**.
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 (and investment funds).
Mortgage portfolio	**93%** of the portfolio's interest income
Mortgage reinvestments	Bond reinvestment yields increased by **80** basis points
Money market	Like bond reinvestment yield, however the future reinvestment yield never exceeds **0.75%**.

Parameter	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	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 expired 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 behavior scenario

Parameter	Individual insurance: safety loading or markdown	Collective insurance: safety loading or markdown
Cancellation	24.75%	41.25%

Reserve for high price risk for occupational pensions

Parameter	Group life insurance
Minimum level of the reserve for high price risk in % of the mathematical reserve for current annuities subject to high price	36.00%