

Annual Report 2014

Abridged version

“Suva benefits Swiss industry”

Markus Dürr,
Chairman of the Board

Ladies and Gentlemen

2014 was a successful year for Suva. It achieved an above-average investment performance of 7 per cent and is solidly financed as of the end of 2014 with a coverage ratio of 134 per cent. Suva is also in a stable position in terms of organisation. By providing prevention, insurance and rehabilitation all under one roof, Suva can offer customer-friendly solutions and efficient processes. Suva's success can be attributed to its carefully balanced legal foundation, which contains cost-reducing mechanisms.

In my first year as Chairman, Suva further consolidated its modern corporate governance. The Board of Directors has adapted the regulations that govern it and its committees so that they meet current requirements better than ever.



The social partners, who represent the industries insured with Suva, are well represented on the Board of Directors. Their constructive dialogue benefits Swiss industry across the board, delivering practical results and supporting the social partnership in our country. As the Chairman of the Board, I want to continue to nurture this contact with customers, managers and policymakers. In this regard, the 18 regional agencies and the two rehabilitation clinics are vitally important. This decentralised organisational structure ensures closeness to customers and creates a broad network.

On 19 September 2014, the Swiss Federal Council set out its revisions to the Federal Act on Accident Insurance (AIA). The revised draft is based on a compromise reached by the social partners. It is widely supported, including among the private insurers. All parties had to make concessions in order for the social partners to reach this compromise. Fortunately, both the social partners and the private insurers agreed that the tried and tested elements of the AIA business model should be retained. A few technical uncertainties were clarified, which had a positive effect on the legal certainty.

Suva must remain at a critical size and operate independently of politics and administration if it is to maintain its standards for its product mix of prevention, insurance and rehabilitation. Therefore, I sincerely hope that this draft will quickly be approved by the parliamentary bodies without any major changes. The years of revising the AIA must finally come to an end, so that Suva can begin to shape the future with the aid of a clear framework.

A handwritten signature in black ink, which appears to read "Dürr M".

“We have increased our ability to assume risk”

Ulrich Fricker,
Chairman of Business
Management, talking to
Daniel Ammann

Mr Fricker, what were the three most important developments for Suva in the past year?

Firstly, we have increased our ability to assume risk and our financial strength. Secondly, we have kept claims costs stable despite rising healthcare costs. Thirdly, the revised Accident Insurance Act has good prospects. And I'd like to add a fourth point that is very close to my heart: our asbestos prevention programme, which aims to protect employees from exposed asbestos fibres.

Let's look at financial matters to begin with. Suva achieved an investment performance of 7 per cent; are you happy with this?

I am, yes, for two reasons in particular. Suva's long-term investment strategy is most similar to those of pension funds, and if you compare us with these directly then we're performing well. This shows that our investment managers are doing a good job. Secondly, and even more importantly, this increases our ability to assume risk and gives us the power to withstand fluctuations in value.

How has the removal of the euro exchange rate cap affected Suva's investments?

It was a shock for us too, but one that we were able to withstand well as we systematically safeguard foreign currencies. The reactions on the foreign exchange and stock markets had a negative impact on performance of less than 2 per cent. At the end of January 2015, the coverage ratio was still above 131 per cent. However, it is still too early to assess the medium-term impact on Swiss industry and therefore on Suva's premium volumes.

Nonetheless, market interest rates have decreased again – and the Swiss National Bank has introduced negative interest rates. What does this mean for Suva?

Due to falling interest rates, bond prices are rising in the short term, which is improving our performance. In the medium and longer term, however, the prospects for investment income have once again worsened significantly. The negative interest rate is

“We can't go any lower, otherwise we'd have to raise premiums again further down the line”



also affecting us. Unlike the Old Age and Survivors' Insurance, for example, we are not exempt from it – we're treated like a company that's listed on the stock exchange. We must keep large reserves of liquid assets in order to retain our ability to pay at all times. This is now involving new costs of up to half a per cent of our annual performance.

Over the last seven years, Suva has been able to regularly reduce its premiums, saving Swiss industry more than CHF 4bn. Now, premiums are staying at the same level. Why is this?

This is what we expected. We set our premiums according to risk, so that they largely correspond to the risk of accidents and the rising cost of healthcare. We can't go any lower, otherwise we'd have to raise premiums again further down the line. In principle, every year we have to be able to cover the costs arising from accidents and occupational diseases and from our prevention activities.

Suva's awareness campaigns are continuing to attract attention.

Our campaigns attract interest and are well received by the public. A good example is our prevention campaigns addressing leisure activities, where we avoid coming across as didactic or alarmist. Instead, we use innovative tactics to raise awareness. We want to get people to examine their own behaviour.

It's clearly working – you hardly ever see anyone skiing without a helmet these days.

Suva isn't the only one working to prevent snow sports accidents. However, the campaigns have shown that protective equipment is much more widely used when it becomes fashionable or takes the form of a gadget that people always have with them. This has become the norm for young sporting enthusiasts of all kinds. However, I want to make it clear that protective equipment doesn't eliminate the risk entirely. There can be disastrous consequences when aids such as avalanche transceivers and airbags give a false sense of security.

It seems as though the problem of insurance fraud has intensified in recent times.

The number of new suspected cases did indeed rise again by almost 10 per cent in 2014, from 315 to 343 cases. Each case discovered costs us up to CHF 500,000 in damages. We take the issue very seriously. We have doubled the number of staff in our fraud unit in response to the constantly growing number of cases. Twelve specialists have worked in this team since early 2015.

Has the public's opinion of insurance fraud changed in recent years?

I remember my first day at Suva well. People often complained back then that Suva was much too strict and never paid out. The mentality has definitely changed since then. Insurance fraud is no longer seen as a harmless crime and is instead viewed for what it is: fraud that harms everyone who is insured.

After 16 years as the Chairman of Business Management, you will be stepping down at the end of 2015. It's still too early to talk about business results, but I'd like to ask a more personal question: what is the main thing that Suva has taught you about your own risk behaviour?

I'm definitely more aware when I do sports, I don't push myself to the limit when skiing and I avoid riding over wet roots on my mountain bike. My heavy involvement with the world of risk definitely has something to do with this – but perhaps it's age-related too.

“I avoid riding over wet roots on my mountain bike”





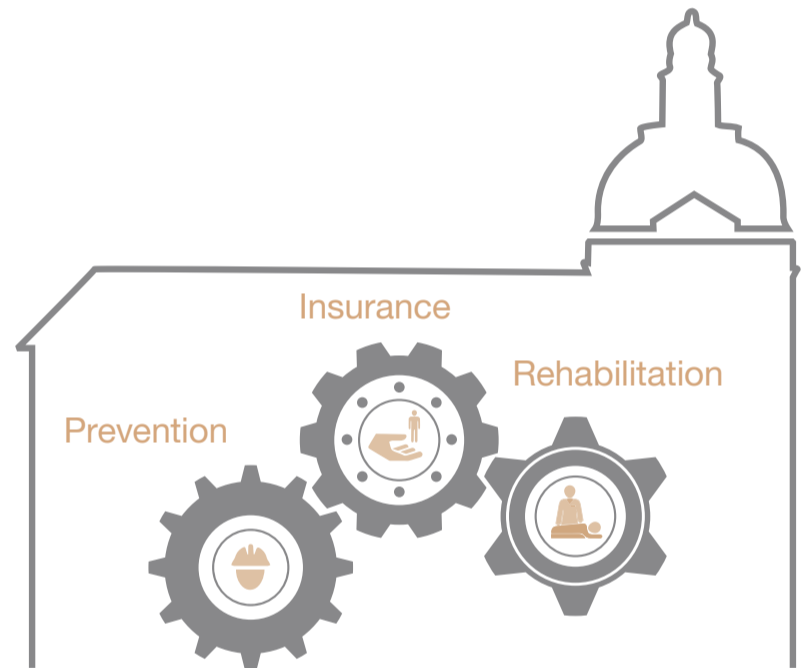
Prevention

In 2014, Suva continued to pursue its goal of preventing 250 fatal occupational accidents by 2020.

The Safety Charter has become a key element in implementing the “vital rules” in workplaces – 750 institutions and firms had signed up to it by the end of 2014.

Over the coming years, Suva must continue to raise awareness about sites contaminated with asbestos.

Finally, Suva ran a leisure-time safety campaign on the risk of injury in football.



179,987

occupational accidents

The number of newly registered occupational accidents fell slightly by 0.83 per cent in comparison to the previous year.

261,360

leisure-time accidents

The number of newly registered non-occupational accidents fell slightly by 0.63 per cent.

750

members

signed up to the Safety Charter by the end of 2014.

11,000

footballers

took the football test and discovered their personal risk profile.

Rehabilitation

In 2014, Suva again fully committed itself to giving people the best possible care after accidents and accompanying them on their journey back to daily life and work, all without overlooking cost factors. Medical costs thus also stabilised as expected in the year under review.

The number of new disability pensions awarded decreased slightly. Furthermore, cost-cutting opportunities were fully exploited, in particular through systematic invoice control and anti-fraud measures.

Insurance

After lowering premiums for seven years in a row, Suva had no room to reduce them any further during the 2014 fiscal year. As promised, it froze the net premiums on 1 January 2015.

Suva's investment performance during the year under

review was above average at 7 per cent.

The assets for securing pensions increased further, as did the financial coverage ratio. Suva is actively engaging in its role as a responsible investor.

46.3^{bn}

CHF

The value of Suva's assets

70.5^m

CHF

was returned to insurees in 2014 thanks to the reduction in the equalisation reserve.

7%

investment performance

In 2014, Suva's performance was good despite volatile markets.

134%

coverage ratio

Suva's financial obligations have solid cover.

More than an insurance policy The Suva model

Suva is more than an insurance policy: it brings prevention, insurance and rehabilitation together. Suva offers these services to insured companies and their workers in a holistic, integrated form, from preventing accidents and occupational diseases via professional claims management through to rehabilitation and reintegration.

Suva is an important provider of compulsory accident insurance. It is managed by the social partners as representatives of the insured. The balanced composition of the Board, which consists of representatives of employers, employees and the Swiss Federation, permits widely supported, sustainable solutions.

Suva is self-supporting and does not take public money. It returns any profits to its insurees in the form of lower premiums.



Forest manager Simon Blaser (b. 1987) was hit by a tree with full force. After seven months of rehabilitation, he is almost back to his old self – and can stand at the altar at his wedding this summer.

1294^m

CHF

Cost of daily allowances

-3.5%

new disability pensions

The number of new disability pensions awarded decreased slightly in 2014.

1165^m

CHF

Treatment costs

160^m

CHF

Saved by Suva through systematic invoice control

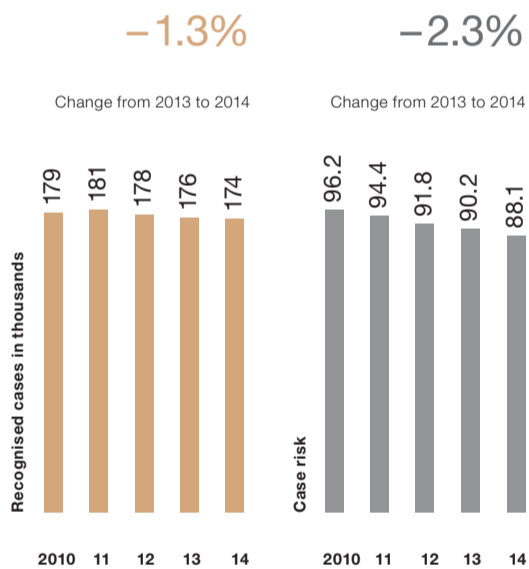


Occupational safety

A long-term approach to prevention

Over the last ten years, the number of occupational accidents and diseases has showed a pleasing decline, dropping by more than 12 per cent among the businesses insured by Suva alone. Nonetheless, one in five construction workers, one in three forestry workers and one in two forestry apprentices on average are still involved in workplace accidents every year – some 174,000 Suva-insured employees in total. Around 100 of these lose their lives. More than 100 additional people die each year because they came into contact with asbestos earlier on in their working life.

Therefore, Suva has laid out its long-term prevention programmes “Vision 250 lives” and “Asbestos” and continued to drive them forward in 2014. It is targeting industries and activities with high risk levels.



Number of recognised occupational accidents and diseases 2010–2014 in thousands and case risk (number of occupational accidents and diseases per 1,000 full-time employees)

On site: communication and checks



Suva’s operational control team also intensified its efforts to ensure that the vital rules are being complied with in individual industries. During the year under review, Suva’s specialists conducted some 12,600 checks on construction sites. Around 9.3 per cent of these had significant shortcomings. Some 9,400 checks were carried out in the other industry and commerce sectors (with significant shortcomings being discovered in 1.1 per cent of cases).

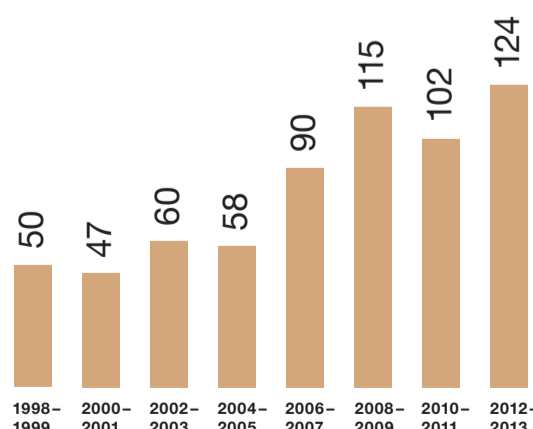


Continuing the fight against asbestos contamination

A 2014 telephone survey of the industries affected clearly showed that people are still not sufficiently aware of the danger: around 80 per cent of all buildings in Switzerland were constructed before 1990. Anyone who renovates, converts or demolishes these may come into contact with hazardous asbestos fibres. For this reason, Suva is continuing to promote its prevention campaign “Identifying asbestos – taking the right steps”. At trade fairs (including Edilespo and Electro-Tec) and the Centre d’Enseignement Professionnel de Morges (Morges professional education centre, CEPM), Suva used its “asbestos house” to raise awareness among professionals and apprentices and promote risk-conscious behaviour.

Suva worked with the relevant associations to draw up more vital rules on dealing with asbestos for the building construction and civil engineering industry, tilers and furnace builders and the industrial recycling industry.

Asbestos-related deaths per year



Deaths caused by asbestos-related occupational diseases currently remain high (average for two years shown in each case). The majority of victims were exposed to asbestos several decades ago.

Leisure-time safety

Footballers test their risk profile

Football tops the league table of injury risk and accident costs in sports. Some 400,000 amateur footballers in Switzerland regularly enjoy a – sometimes fiercely competitive – kickabout. Every year, this results in around 45,000 accidents costing CHF 160m.

For this reason, Suva launched a widespread campaign in the year under review. The star of the show was an online football test developed by experts, featuring a personalised risk profile and tailored advice on how to reduce the risk of injury. The campaign was also promoted through television advertisements, billboards and mailshots. More than 11,000 football fans have already taken the test. The TV ad was also a great success, winning gold at Edi, the official competition for Swiss TV and cinema adverts.



Football and winter sports lead the field



38 per cent of leisure-time accidents happen in sports and games. This costs around CHF 525m every year. Winter sports and football have the highest accident rates and costs.

Insurance

Fewer accidents, lower premiums

In 2014, the campaign continued to raise awareness among businesses to take care of their employees and in this way help keep premiums low.



Premium rates freeze for 2015

In recent years, Suva has saved Swiss industry around CHF 4.3bn by lowering premiums seven years in a row. An average company now pays 20 to 25 per cent less in premiums than it did in 2007.

The announced freeze in premium rates was implemented on 1 January 2015. Depending on their risk profile, some companies may be subject to upward or downward revision of their premiums. The average net premium rates for occupational accident insurance remain practically unchanged at 0.98 per cent and for non-occupational accident insurance at 1.29 per cent.

Meanwhile, Suva again dismantled the equalisation reserves that were no longer necessary with effect from 1 January 2015, turning the approximately CHF 47m this generated into a one-off reduction in premiums.

Invoice control saves millions

Thanks to the increasing expansion of electronic invoice transfer in recent years, Suva can now process more than 91 per cent of its invoices (2.1m in 2014) electronically.

This enables a targeted approach to preventing double payments, services unrelated to the accident, private fees and services that do not have to be reimbursed. The resultant savings have increased considerably in recent years and are now around CHF 160m per year.

Financing

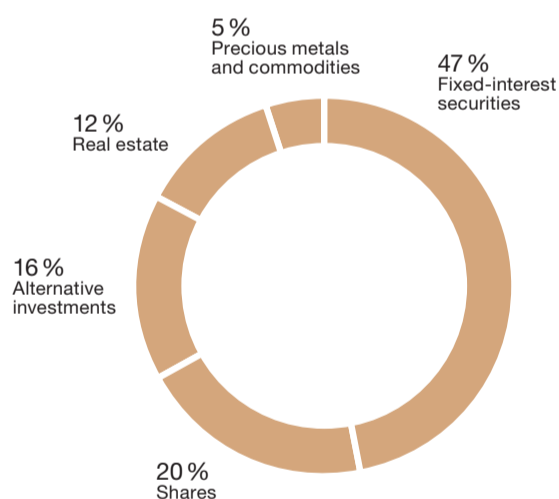
Strong overall performance

Suva achieved an overall performance of 7 per cent in the 2014 fiscal year. Almost all the investment categories contributed to this good result, particularly shares, bonds, real estate, hedge funds and private equity. Only investments in emerging countries, gold and commodities performed less well. Suva has a long-term investment strategy underpinned by broad diversification (see diagram).

Suva's assets rose in the year under review from CHF 44bn to CHF 46.3bn. Suva has earmarked these assets for fulfilling its legally mandated financial duties to its insureds, in particular the 91,000 or so pensioners.

The financial coverage ratio – the relationship between assets and obligations – rose from 128 per cent in the previous year to 134 per cent.

Investment portfolio



Suva's overall performance of 7 per cent was well above the average of the last decade.

Responsible investor

In addition to financial aspects, Suva also takes environmental, ethical and social considerations into account in its asset management. The normative basis for this is Swiss legislation as well as the ten basic principles of the UN Global Compact. Suva strongly believes that the effects of a responsible asset management strategy can be enhanced when different actors share and pursue the same goals. This is why Suva has signed the United Nations Principles for Responsible Investment (UN PRI) and is a founding member of the Swiss Sustainable Finance (SSF) initiative.

Moreover, when it comes to direct investments Suva makes active use of its voting right at around 100 general meetings each year. Suva has also published its voting record on its website since February 2015.

Rehabilitation and case management



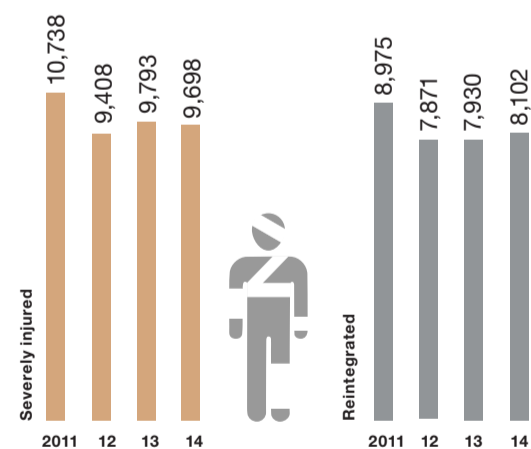
Strength through solidarity

In 2014, Suva continued its "Share if you Care" social media campaign to highlight the importance of a supportive social environment for accident victims and the role it plays in their reintegration.

In five video messages, five key persons talk about how they support an injured young woman in returning to her private and professional daily life. As the message of the campaign says, "It can happen to anyone. Everyone can help."

The more the videos were shared and liked on Facebook, the bigger the surprises patients at the Sion and Bellikon rehabilitation clinics would receive. More than 16,000 people took part, enabling patients to enjoy an unforgettable cinema event at the clinic.

Reintegration of the severely injured



The number of cases of severe injury (complex cases, patients aged 60 or below) and the cases of successful reintegration with a previous or new employer

Rehabilitation clinics: cooperation increasingly important

The Bellikon rehabilitation clinic works closely with the University Hospital Zurich (USZ) and the Canton Hospital of Aarau. For instance, patients at Bellikon now benefit from consultations with accident surgery specialists at the USZ.

The Centre hospitalier universitaire vaudois (University Hospital of Lausanne, CHUV) collaborated with the Sion rehabilitation clinic to open a new department for physical medicine and rehabilitation. This will allow for a greater range of treatments (multiple injuries, amputations, burns, paraplegia) and combined research and teaching activities.

One out of every two employees is insured with Suva.

Against the consequences of accidents and occupational diseases.

Around two million people all over Switzerland.

Key figures

122,617	1,974,000	142.8 ^{bn} CHF	4.2 ^{bn} CHF	459,921
Companies insured	Insurees (full-time employees, excluding unemployed persons and voluntary insurance for entrepreneurs)	Insured payroll BUW (occupational accident insurance)	Gross premium income	Accidents and occupational diseases
4.1 ^{bn} CHF	551.3 ^m CHF	108.9 ^m CHF	176.3 ^m CHF	4,131
Insurance benefits paid	Operating costs	Investment in prevention Investment in prevention of occupational accidents and diseases and non-occupational accidents	Operating income before decrease in compensation reserve	Staff (3,320 full-time positions)

Facts

Premiums virtually unchanged	CHF 70.5m of compensation reserve was returned to insurees in 2014	Good investment performance of 7 per cent	CHF 46.3bn of assets	Medical costs stabilised at CHF 1,165m
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Business development

Selected figures from the total operating account

	2014	2013	+/-
	in CHF m	in CHF m	in %
Occupational accident insurance	1 758	1 744	0.80
Non-occupational accident insurance	2 226	2 221	0.23
Voluntary insurance for entrepreneurs	21	22	-4.55
Insurance for the unemployed	184	180	2.22
Military insurance	18	18	-
Military insurance refunds, FCOS	285	293	-2.70
Total premium income	4 207	4 185	0.53
Occupational accident insurance	1 799	1 837	-2.07
Non-occupational accident insurance	2 330	2 305	1.08
Voluntary insurance for entrepreneurs	22	26	-15.38
Insurance for the unemployed	183	170	7.65
Military insurance	189	196	-3.57
Total claim outlay	4 523	4 534	-0.24
Operating costs of insurance operations	442	438	0.91
Operating costs of work and leisure-time safety	109	110	-0.91
Ordinary allocation to the general reserve	41	41	-
Financial result	242	47	414.89
Final result before reduction in equalisation reserve	176	62	183.87
Reduction in equalisation reserve	70	50	-
Final result after reduction in equalisation reserve	106	12	783.33
Cash flow	1 125	2 274	-50.53

Figures from the balance sheet

	2014	2013	+/-
Investments	39 067	38 042	2.69
Provision for long-term benefits	23 769	23 506	1.12
Occupational accident insurance	10 879	10 799	0.74
Non-occupational accident insurance	11 912	11 752	1.36
Voluntary insurance for entrepreneurs	221	217	1.84
Insurance for the unemployed	757	738	2.57
Provision for short-term benefits	8 215	8 073	1.76
Total assets	40 681	39 198	3.78

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