



Annual Report 2016
Abridged version

“There will be a need for Suva to exist well into the future.”

Digitalisation is making radical changes to the way we live and work. More and more people are working in the services sector. Occupational accidents are on the decline, while leisure-time accidents are increasing in number. How is Suva reacting to these megatrends? After 100 years, is it really still needed? Looking to the past and the future with Markus Dürr, Chairman of the Board of Directors, and Felix Weber, Chairman of the Board of Management.

Interview: Daniel Ammann

Mr Dürr, Mr Weber – what went especially well for Suva in 2016?

Markus Dürr: I was particularly pleased with the good results that Suva achieved, in spite of its difficult position in the capital market and the negative interest rates that also proved an obstacle. We have sufficient reserves and in the coming years we will also be able to weather even bigger upheavals, should they come to pass. Suva is able to deal with risks in every respect. And as the Chairman of the Board of Directors, I am especially interested in the new Board of Management, which was established a year and a half ago and has now really hit its stride and performs excellent work.

Felix Weber: I am of course very pleased with the performance of 4.1 per cent on our non-current assets. We also fulfilled our expectations in terms of claims as well, once again registering fewer occupational accidents and lower treatment costs per case. And, as a recent survey showed, our customers are very satisfied with our work. There has been good news on the operational front too: the Board of Directors has signed off on our new strategy.

In comparison with the pension fund index, for example, Suva's investment performance is regularly at a very high level. How do you achieve this?

Weber: We are broadly diversified and we have a long-term investment strategy. We manage our non-current assets – worth 48 billion Swiss francs – with specific purposes in mind, primarily safeguarding the pensions of our insureds over the long term. For instance, we ensure that we can meet our ongoing payments with our current premium income. This means that there is very

little risk of having to sell assets at an inopportune moment, while also giving us room to act in a counter-cyclical manner and buy at low prices. This allows us to take more risks than other insurance companies are able to.

Dürr: We have an excellent team that manages our assets and can implement its ideas rapidly. This enables a positive atmosphere to prevail.

Weber: However, one of the pricier aspects of our work is hedging, in other words safeguarding our assets in foreign currencies. With the introduction of negative interest rates, the associated costs have increased considerably. With profit expectations remaining low, this is looming ever greater in our considerations. Nonetheless, continuing to hedge currency risks makes perfect sense.

There is one megatrend that affects Suva directly: Switzerland is moving ever more towards becoming a service industry; the number of jobs in the industrial sector is declining and Suva's market is shrinking.

Dürr: This is true. Suva is facing a strategic dilemma.

Weber: The revision of the Federal Act on Accident Insurance (AIA), which came into force at the start of the year, leaves us with few strategic options for compensating for this decline in secondary industries. It goes without saying that we cannot suddenly sell material assets or offer our services in a different country. The law clearly defines which industries are insured with us. We have little room for manoeuvre, and we're trapped in this strategic dilemma until the next time the AIA is revised.

Dürr: We have waited for this revision of the AIA for ten years. It would make sense for Suva to be responsible for all companies in the healthcare sector. Sadly, Parliament came to a different decision. Obviously we must abide by the law when it comes to the industries that can be insured with Suva. But at least we have certainty for planning purposes – and this certainty has also enabled us to try out our new strategy.

“Suva plays an important role in peaceful industrial relations in Switzerland.”

Markus Dürr, Chairman of the Board of Directors

What are the most important elements of this strategy?

Dürr: We are using it to react to megatrends, as you called them earlier: our shrinking market share, low and negative interest rates, digitalisation and the increasing number of leisure-time accidents. To put it simply, we are looking at where we may have been concentrating our resources disproportionately.

Weber: Digitalisation is also an opportunity – for example, it enables us to process claims more efficiently. In the past, we rolled out digitalisation selectively. In future, we must take a completely new, digital approach to our business model and to individual processes. Our new “avance” strategy also gives us an opportunity to play our unique trump card: we offer prevention, insurance and



Felix Weber, Chairman of the Board of Management (left), and Markus Dürr, Chairman of the Board of Directors (right)

rehabilitation all under one roof and all coordinated with one another.

The number of occupational accidents has been decreasing for years, while the number of leisure-time accidents is on the up. What does that mean for you, the largest accident insurer?

Weber: In future, our activities must centre around holistic prevention to an even greater degree. What this means for us is that we no longer focus primarily on occupational accidents, but also on leisure-time accidents. In future, we want to support companies in implementing corporate health management that ranges from prevention modules to absence management. This is one of the secondary activities that we are now allowed to offer under the new Accident Insurance Act.

Dürr: The number of occupational accidents is of course decreasing, thanks in part to Suva's efforts. In our prevention programmes, we work intensively with the insured industries and companies.

Weber: We are working – particularly with apprentices – to make sure that this culture of safety that we foster within companies also carries over into leisure time, for instance when someone picks up a drill at home or practises sport in their free time. To give an exaggerated example, we hope

“We must take a completely new, digital approach to individual processes.”

Felix Weber, Chairman of the Board of Management

that people ask themselves whether it's really a good idea to hurtle down steep roads on rollerblades while wearing swimming trunks.

Late last year you hit the headlines with your decision to stop using detectives in your anti-fraud measures for the time being. The European Court of Human Rights found that there were insufficient legal grounds for their deployment. How are things proceeding now?

Dürr: We hope that the law will be changed as soon as possible. That's what everyone wants. It is simply incomprehensible that anyone could deceive a social insurance company and escape punishment.

Weber: Suva prepared a proposal for the Federal Social Insurance Office on creating a legal foundation for the use of insurance detectives. But you have to look at it in relative terms too: in the last year, we processed 950 suspected cases and used detectives in a total of nine operations. This shows that we only deploy our detectives if all other avenues have been exhausted without returning any definitive evidence. Detectives are a last resort.

Has the fight against insurance fraud paid off from a financial perspective?

Weber: Combating insurance fraud has both material and intangible benefits. People must be aware that Suva studies all circumstances very closely; this has a preventive effect and gives people certainty that their premiums are not being misused. We currently employ 13 people to investigate suspected cases. We find evidence of fraud in around four out of ten cases investigated. In 2016, our activities in this area led to savings of

around 18 million Swiss francs. Thanks to feedback from our customers and discussions on social media, we also know that there is a high degree of awareness in society that we are tackling insurance fraud.

Suva will be 100 years old next year. You have already talked about your strategic dilemma with the shrinking market share. To ask a provocative question, for how long will there still be a need for Suva to exist?

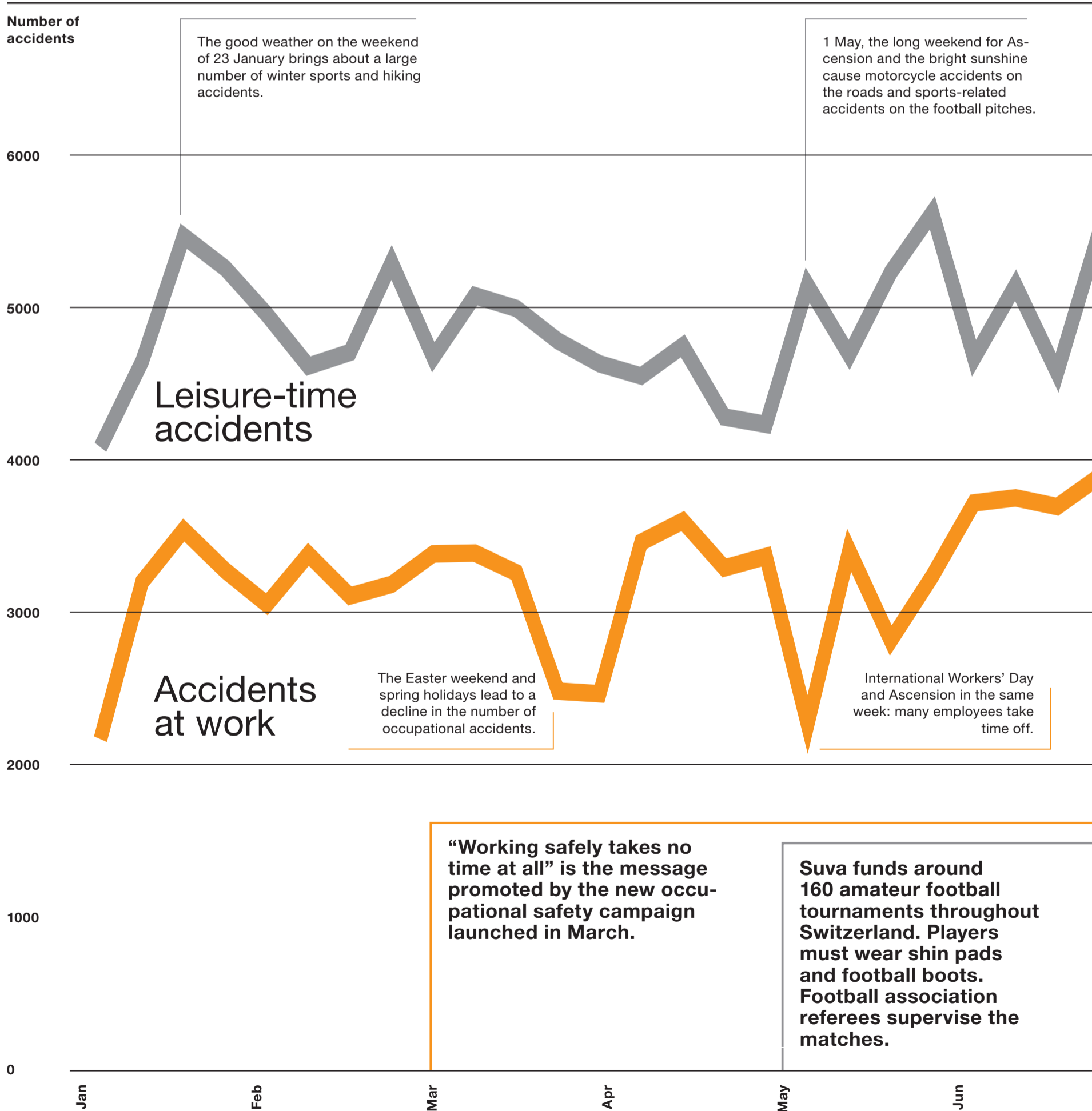
Dürr: The Suva model is very successful and there will be a need for it to exist well into the future. It protects employees – and employers don't want accidents in their businesses either, as this is associated with suffering and high costs. The peaceful industrial relations that are so important in Switzerland depend largely on the left hand and the right hand being able to talk to one another and get to know one another personally. Suva plays an important part here. Finally, it belongs to the insurees, in other words the social partners, who share the number of seats equally on the Board of Directors.

Weber: To ensure our continued success in the future, we must identify in good time the challenges that are heading our way. Ten years from now, many prevention issues will look completely different: you just have to think about self-driving cars or automation in businesses, for example. We must continue to focus our model of prevention, insurance and rehabilitation on the new risks we face.

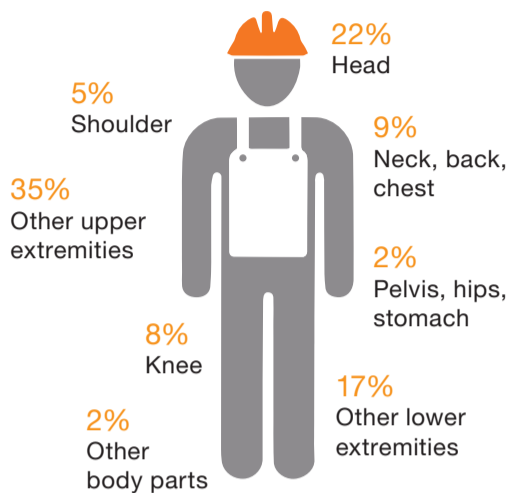
Daniel Ammann has been a journalist and author for many years. He also used to head the economics department at “Die Weltwoche”. He has received numerous awards for his work. He is now a partner of the communications agency Ammann, Brunner & Krobath AG in Zurich.

Accidents in 2016

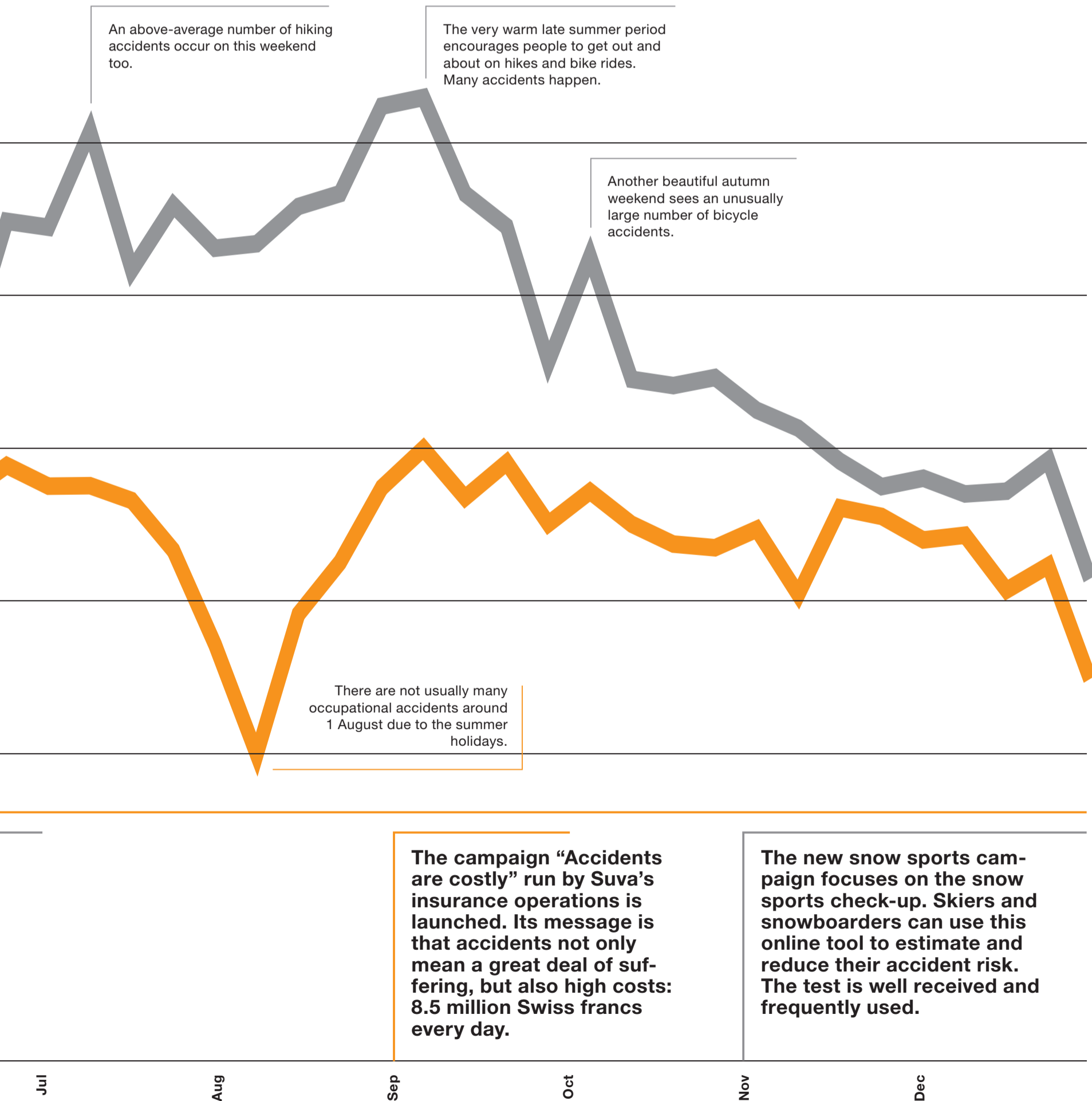
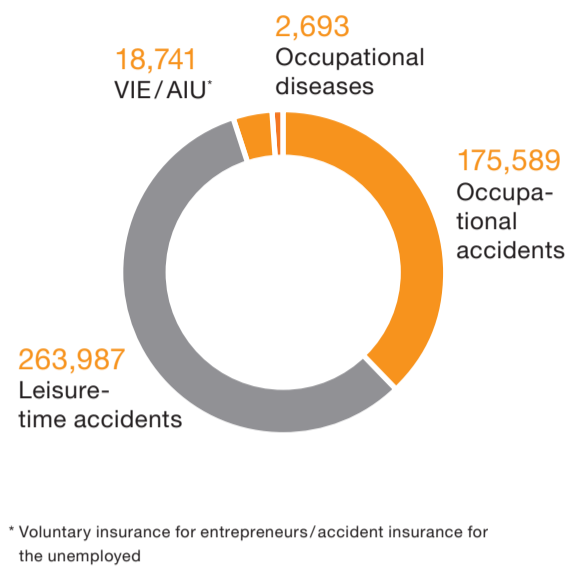
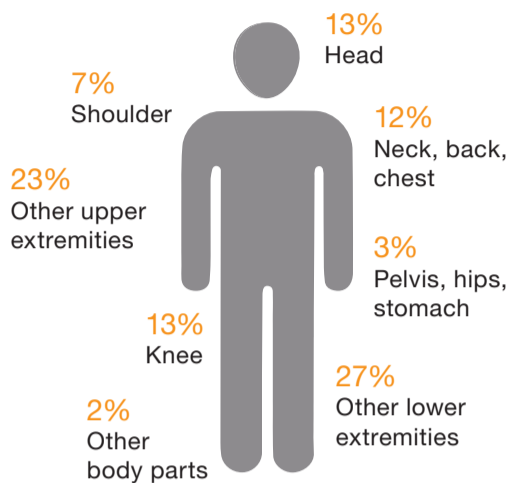
The number of accidents fell slightly in 2016; 461,010 accidents and occupational diseases were reported to Suva. The chart shows how many occupational and leisure-time accidents were reported each calendar week. The peaks and troughs are immediately noticeable. Holidays and public holidays see a decline in accidents at work, while upward surges in leisure-time accidents are usually due to good weather.

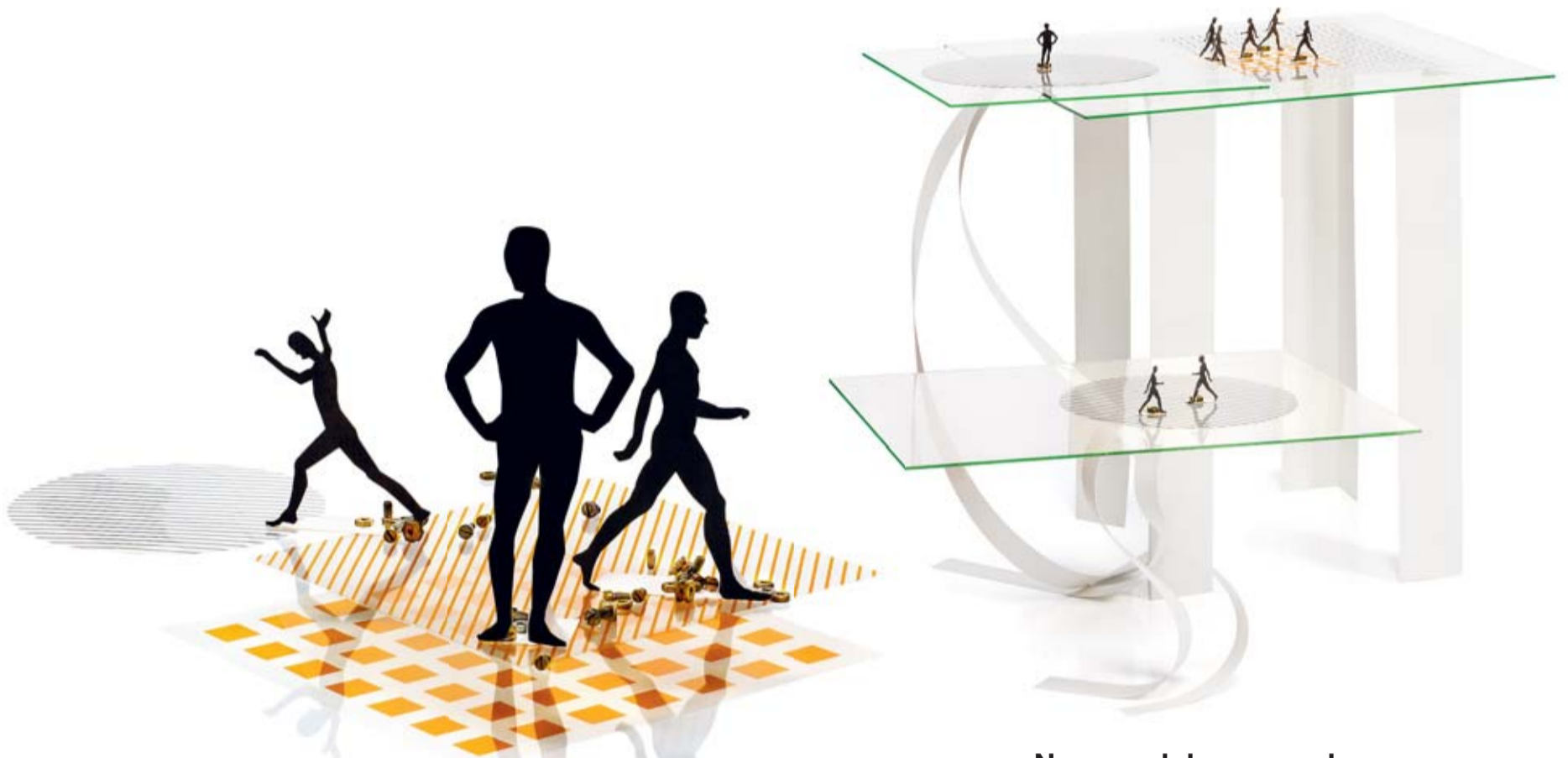


Body parts injured in occupational accidents



Body parts injured in leisure-time accidents





The strategic dilemma

Insured payrolls in occupational and non-occupational accident insurance increased by around 3 per cent in 2016. This is a pleasing result. However, roughly two-thirds of this increase (2 per cent) is due to the increase in maximum insured income to CHF 148,200. Only one-third, or 1 per cent, can be attributed to positive economic development. This value is below the long-term average. However, in view of the economic climate, it is certainly respectable. Despite the major challenges it is currently facing, the Swiss economy is proving reasonably robust. However, a closer look at the industries turns up some noteworthy developments.

1. The strong Swiss franc is having an especially big impact on export-oriented industry. A reduction in business activities or relocation abroad are the realities nowadays.
2. The construction industry, which makes up a substantial proportion of our premiums, continues to benefit from the low mortgage interest rates and an above-average investment demand from institutional investors in real estate. However, the risk of a decline in employment levels looms in the construction sector too for various reasons.

3. The inexorable march of digitalisation and automation is leading to job cuts in many areas. Of course, these developments are nonetheless creating a great many new jobs. And across the board, the Swiss economy is good at exploiting the opportunities available to it. It is however the case that newer companies tend not to be insured with Suva, while job cuts are often made in the industries insured by Suva. These circumstances are something of a strategic dilemma for us.

This is the reality that Suva must now face. It is doing this by setting premiums that are as low as possible but still fair in terms of risk, and by building up appropriate claims reserves. This will protect industries against the expensive late effects of claims. In future, this protection will be further improved through an internal, cost-neutral reinsurance scheme. This will help smaller industries in particular, as these are the ones that risk being hit by considerably higher premiums in the event of major claims or occupational diseases with long latency times if they do not have this reinsurance.

Whatever happens, Suva insurees' claims are covered – at all times and even in adverse circumstances.

Peter Blum,
Chief Risk Officer

New model, same rules

With the arrival and rapid development of smartphones, the growth of the network infrastructure and the digitalisation of sales channels, new and highly innovative business models are dominating the global market – and also Switzerland. Consumers benefit from digital innovations – and this extends to the sharing economy. These new models are largely competing against existing offers, or seeking to completely reshape established relationships between providers and customers.

For Switzerland as a place of business, it is important to exploit the potential that technological progress has to offer. But the newcomers must play by the same rules as the old hands. In the industries for which it is responsible, one of Suva's tasks is to clarify the employment status of a person from a social security perspective: is this person self-employed or an employee? This clarification is based on the currently valid legal framework for each individual case.

Suva does not assess business models themselves, but examines how the existing rules of Swiss social insurance law are applied in its area of responsibility. Applying the same rules to all market players is the foundation of fair competition. And it protects Swiss society's benefits too.

Cornel Thoma,
Lawyer of Actuarial Practice Division



Using “nudging” to influence behaviour

100 years ago, the accident risk in factories was high and occupational disease was an unavoidable evil. Technical advancements and better forms of organisation, which can also be viewed as the results of our many long years of prevention work, have reduced these risks considerably. Nonetheless, around half a million employees had an accident at work or in their leisure time in 2016. This certainly gives pause for thought – after all, every accident means a great deal of suffering and high costs. To prevent this, humans themselves must be viewed as another factor in the risk of accidents.

We and our behaviour do in fact play a major role in causing accidents. We do not always act with safety in mind, even

though we are aware of the correct way to behave. This is why we want to tackle behaviour-based prevention. This approach puts humans at the centre as acting, thinking and feeling beings, and aims to encourage them to do what is necessary in the production hall, on the assembly line or below ground.

There are a number of tools that affect behaviour – but the tool used must be the right one for the situation at hand. “Nudging” is one such tool. The concept of giving people a “nudge” has up until now primarily been used in the environmental and healthcare sectors. For example, positioning food in just the right place at the buffet can nudge people towards choosing healthier options. What’s important here is that the guest

at the buffet is free to choose what ends up on their plate.

This concept lends itself to further development for prevention activities in the field of health protection and occupational safety. What nudges do we use to make sure that hard hats are always worn? How do we encourage people to use skin protection in the summer? If we can put the right nudges in the right places and encourage people to voluntarily act in a more safety-conscious manner, we can further reduce the number of accidents and occupational diseases.

Dr Claudia Pletscher,
Chief Physician of Occupational
Medicine Division

Management report

Suva can look back on a successful financial year 2016. Despite the low interest rate environment, it achieved a pleasing investment performance of 4.1 per cent. Expenditure on benefits was within the expected margins. The annual result after the reduction in the equalisation reserves is 32 million Swiss francs.

The financial coverage ratio increased from 133 per cent in the previous year to 136 per cent as of the end of 2016. All long-term obligations are thus secured.

The primary aim is to use the means available to act as an efficient provider of accident insurance and to offer customers a high quality of service. Suva intends to achieve this by optimising its processes on an ongoing basis.

In November 2016, the Federal Council decided to bring into force the revised Federal Act on Accident Insurance (AIA) and the associated ordinances as of 1 January 2017. The lawmakers support Suva's successful business model. The new regulations also improve the legal certainty surrounding various insurance-related issues and enshrine the performance of secondary activities.

The corporate strategy has been further refined and approved by the Board of Directors to ensure that Suva remains well positioned in the years to come. Its staff will focus even more closely on the core business in future. Secondary activities will only be carried out where these provide measurable support to our core business and are financially self-supporting.

Key figures



The Suva Model

Suva is more than just insurance: it brings prevention, insurance and rehabilitation together under one roof. 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.

Financial year performance

Data from overall statement of operations

	2016	2015	+/-
	CHF in m	CHF in m	in %
Occupational accident insurance	1 689	1 757	-3.87
Non-occupational accident insurance	2 192	2 250	-2.58
Voluntary insurance for entrepreneurs	22	22	-
Insurance for the unemployed	212	194	9.28
Military insurance	17	17	-
Restitution military insurance, FCOS	287	291	-1.37
Total premium income	4 132	4 240	-2.55
Occupational accident insurance	1 816	1 749	3.83
Non-occupational accident insurance	2 324	2 352	-1.19
Voluntary insurance for entrepreneurs	29	15	93.33
Insurance for the unemployed	206	167	23.35
Military insurance	190	193	-1.55
Total claims expense	4 565	4 476	1.99
Operating costs insurance operations	592	448	32.14
Operating costs occupational and leisure-time safety	109	110	-0.91
Ordinary allocation to the general reserves	41	42	-2.38
Financial result	160	15	966.67
Annual result prior to the reduction in the equalisation reserve	77	27	185.19
Reduction in the equalisation reserve	45	48	-6.25
Annual result after the reduction in the equalisation reserve	32	-21	252.38
Cash flow	1 489	2 422	-38.52

Data from balance sheet

	2016	2015	+/-
Non-current assets	41 563	40 261	3.23
Provisions for long-term benefits	24 009	23 896	0.47
Occupational accident insurance	10 935	10 913	0.20
Non-occupational accident insurance	12 092	12 012	0.67
Voluntary insurance for entrepreneurs	213	212	0.47
Insurance for the unemployed	769	759	1.32
Provisions for short-term benefits	8 539	8 372	1.99
Balance sheet total	46 840	44 461	5.35

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