

I. Traditional Embedded Value (TEV)

I.2. Detaillierte Struktur

In diesem Abschnitt stellen wir die einzelnen Komponenten des Traditional Embedded Value anhand von Excel-Templates detailliert vor. Die angegebenen Zahlen sind (hoffentlich konsistente) Beispielzahlen ohne Bezug zu einer real existierenden Lebensversicherungsunternehmung.

1. Overview

1.1. Components of TEV

| CHF 1000 | 200 6 | Change | 2005 (restated) | Change | 2005 (original) |
|--|----------------|---------------|-----------------|---------------|-----------------|
| Risk Discount Rate | 7.50% | | 7.50% | | 7.50% |
| Adjusted Net Asset Value | 2357700 | 118580 | 2239120 | 0 | 2239120 |
| Free Surplus | 1240200 | -36518 | 1276718 | 0 | 1276718 |
| Required Capital | 1117500 | 155098 | 962402 | 0 | 962402 |
| Net Present Value of Future Profits | 1330000 | 155000 | 1175000 | 70000 | 1105000 |
| Individual | 430000 | 55000 | 375000 | 20000 | 355000 |
| Traditional | 400000 | 50000 | 350000 | 20000 | 330000 |
| Unit Linked | 30000 | 5000 | 25000 | 0 | 25000 |
| Group | 900000 | 100000 | 800000 | 50000 | 750000 |
| Traditional | 900000 | 100000 | 800000 | 50000 | 750000 |
| Unit Linked | 0 | 0 | 0 | 0 | 0 |
| Cost of Capital | -281000 | -29000 | -252000 | -10000 | -242000 |
| Individual | -78000 | -16000 | -62000 | 0 | -62000 |
| Traditional | -67000 | -12000 | -55000 | 0 | -55000 |
| Unit Linked | -11000 | -4000 | -7000 | 0 | -7000 |
| Group | -203000 | -13000 | -190000 | -10000 | -180000 |
| Traditional | -203000 | -13000 | -190000 | -10000 | -180000 |
| Unit Linked | 0 | 0 | 0 | 0 | 0 |
| Administration Expense Overrun | -60 | -20 | -40 | 0 | -40 |
| Traditional Embedded Value | 3406640 | 244560 | 3162080 | 60000 | 3102080 |

1.2 Return on TEV Change in FX rate 0%

| CHF 1000 LC 1000 | 200 6 | | 2005 (restated) | |
|----------------------------|-------------|----|-----------------|----|
| | CHF | LC | CHF | LC |
| TEV | 3406640 | | 3162080 | |
| Net Capital Inflows | -400 | | -350 | |
| Dividends paid | -100 | | -150 | |
| Net capital Inflows | -300 | | -200 | |
| Return on TEV | 7.7% | | | |

LC = Local Currency

Return on TEV in 2006 := (TEV(2006) - Net Capital Inflow(2006) - TEV(2005))/TEV(2005)

1.3 Value of New Business (VoNB) after Cost of Capital at Point of Sale

| CHF 1000 | 200 6 | Change | 2005 (restated) | Change | 2005 (original) |
|---|-------|--------|-----------------|--------|-----------------|
| Risk Discount Rate | | 7.50% | | 7.50% | |
| Value of New Business after Cost of Capital at Point of Sale | | | | | |
| Individual | | 3000 | | 1500 | 30500 |
| Traditional | 10000 | 2000 | 17000 | 500 | 16500 |
| Unit Linked | 9000 | 1000 | 8000 | 0 | 8000 |
| Group | | 1000 | 15000 | 1000 | 14000 |
| Traditional | 16000 | 1000 | 15000 | 1000 | 14000 |
| Unit Linked | 0 | 0 | 0 | 0 | 0 |

2. Adjusted Net Asset Value (ANAV)

2.1. Modified Statutory Balance Sheet

| CHF 1000 | Ass ets | | | Liabi ties | |
|---|-----------------|-----------------|--------------------------------------|-----------------|-----------------|
| | 2006 | 2005 (restated) | | 2006 | 2005 (restated) |
| Subsidiaries | 1000000 | 1000000 | Shareholders' funds | 1800000 | 1690000 |
| Branches | 100000 | 100000 | Technical reserves (traditional) | 21900000 | 21300000 |
| Remaining investments for trad. business | 22500000 | 22000000 | Technical reserves (unit linked) | 1500000 | 1400000 |
| Unit linked assets | 1500000 | 1400000 | Other liabilities | 3000000 | 3200000 |
| Activated initial costs | 100000 | 90000 | | | |
| Other assets | 3000000 | 3000000 | | | |
| Total statutory balance sheet | 28200000 | 27590000 | | 28200000 | 27590000 |
| Unrealized gains for trad. business | 1850000 | 1630000 | Additional technical reserves | -1000000 | -940000 |
| Individual | 800000 | 690000 | Individual | -300000 | -280000 |
| Property | 0 | 0 | Group | -700000 | -660000 |
| Equities | 100000 | 90000 | | | |
| Bonds | 700000 | 600000 | Pre-tax undisclosed surplus | 2850000 | 2570000 |
| Other | 0 | 0 | Individual | 1100000 | 970000 |
| Group | 1050000 | 940000 | Group | 1750000 | 1600000 |
| Property | 0 | 0 | | | |
| Equities | 150000 | 140000 | | | |
| Bonds | 900000 | 800000 | | | |
| Other | 0 | 0 | | | |
| Total modified statutory balance sheet | 30050000 | 29220000 | | 30050000 | 29220000 |

Different valuation methods:

Bonds: Amortized cost values in statutory balance sheet and market values in modified balance sheet

Equities: Lower of market and cost values in statutory balance sheet and market values in modified balance sheet

Residual: Shareholders' funds and pre-tax undisclosed surplus

2.2. Amount of pre-tax undisclosed surplus allocated to the ANAV resp. to the NPVFP

| CHF 1000 | Percentage allocated to the ANAV | | Amount allocated to the ANAV | | Amount allocated to the NPVFP | |
|----------------------------------|----------------------------------|-----------------|------------------------------|---------------|-------------------------------|----------------|
| | 2006 | 2005 (restated) | 2006 | 2005 (rest.) | 2006 | 2005 (rest.) |
| Pre-tax undisc. surplus | | | 250000 | 230000 | 2600000 | 2340000 |
| URG for trad. business | | | 250000 | 230000 | 1600000 | 1400000 |
| Individual | | | 100000 | 90000 | 700000 | 600000 |
| Property | 100% | 100% | 0 | 0 | 0 | 0 |
| Equities | 100% | 100% | 100000 | 90000 | 0 | 0 |
| Bonds | 0% | 0% | 0 | 0 | 700000 | 600000 |
| Other | 0% | 0% | 0 | 0 | 0 | 0 |
| Group | | | 150000 | 140000 | 900000 | 800000 |
| Property | 100% | 100% | 0 | 0 | 0 | 0 |
| Equities | 100% | 100% | 150000 | 140000 | 0 | 0 |
| Bonds | 0% | 0% | 0 | 0 | 900000 | 800000 |
| Other | 0% | 0% | 0 | 0 | 0 | 0 |
| Addition. techn. reserves | | | 0 | 0 | 1000000 | 940000 |
| Individual | 0% | 0% | 0 | 0 | 300000 | 280000 |
| Group | 0% | 0% | 0 | 0 | 700000 | 660000 |

If policyholders should participate in a component of the pre-tax undisclosed surplus, this component has to be allocated to the NPVFP

If only shareholders should participate in a component of the pre-tax undisclosed surplus, this component has to be allocated to the ANAV

If a component of the additional reserves is a necessary reserves strengthening, this component has to be allocated to the NPVFP

If a component of the additional reserves is a "free reserve", this component can be allocated to the ANAV or to the NPVFP

In general, an allocation of a component of the pre-tax undisclosed surplus to the ANAV increases the TEV more than an allocation to the NPVFP because of surplus participation

2.3. Legal Quote Shift from ANAV to CoC in Group Life

| CHF 1000 | Legal Quote Shift from the ANAV to the CoC | | Amount allocated to the ANAV | | Amount allocated to the CoC | |
|--------------------------------|--|-----------------|------------------------------|--------------|-----------------------------|--------------|
| | 2006 | 2005 (restated) | 2006 | 2005 (rest.) | 2006 | 2005 (rest.) |
| Pre-tax undisc. surplus | | | 15000 | 14000 | 135000 | 126000 |
| URG for trad. business | | | | | | |
| Group | | | 15000 | 14000 | 135000 | 126000 |
| Property | 90% | 90% | 0 | | | |
| Equities | 90% | 90% | 15000 | 14000 | 135000 | 126000 |
| Bonds | 0% | 0% | 0 | 0 | 0 | 0 |
| Other | 0% | 0% | 0 | 0 | 0 | 0 |
| Additional techn. reserves | | | | | | |
| Group | 0% | 0% | 0 | 0 | 0 | 0 |

The amount allocated to the CoC can be used to reduce the part of CoC which is financed by shareholders

2.4 Breakdown of the Adjusted Net Asset Value (ANAV)

| CHF 1000 | 2006 | Change | 2005 (rest.) |
|--|----------------|--------|----------------|
| Shareholders' funds | 1800000 | | 1690000 |
| (1) Amount of pre-tax undisclosed surplus allocated to the ANAV | 115000 | | 104000 |
| (2) Present value of recurring income in the non-operating account | 1000000 | | 1000000 |
| (3) Present value of recurring expenses in the non-operating account | -400000 | | -400000 |
| Deferred taxes of 22% on the sum of (1), (2) and (3) | -157300 | | -154880 |
| Adjusted Net Asset Value | 2357700 | | 2239120 |

In this example, ANAV is determined without "locked in" effect

Ad (1): $115000 = 100000$ (Individual; see 2.2.) + 15000 (Group with Legal Quote; see 2.2. and 2.3.)

2.5 Breakdown of the shareholders' funds

| CHF 1000 | 2006 | Change | 2005 (rest.) |
|------------------------------------|------|--------|--------------|
| Share capital (paid-up and unpaid) | | | |
| Unpaid share capital | | | |
| Legal reserves | | | |
| Special reserves | | | |
| Retained profit | | | |
| Annual profit | | | |
| Shareholders' funds | | | |

2.6 Sensitivities of the ANAV

| CHF 1000 | ANAV | Abs. change | Rel. change |
|--|------|-------------|-------------|
| Base Case | | | |
| Market value of equities decrease by 10% | | | |
| Market value of property decrease by 10% | | | |

3. Net Present Value of Future Profits (NPVFP)

3.1. Components of the NPVFP

| CHF 1000 | 200 6 | Change | 2005 (restated) | Change | 2005 (original) |
|--|----------------|---------------|-----------------|--------------|-----------------|
| Net Present Value of Future Profits | 1330000 | 155000 | 1175000 | 70000 | 1105000 |
| Individual | 430000 | 55000 | 375000 | 20000 | 355000 |
| Traditional | 400000 | 50000 | 350000 | 20000 | 330000 |
| Unit Linked | 30000 | 5000 | 25000 | 0 | 25000 |
| Group | 900000 | 100000 | 800000 | 50000 | 750000 |
| Traditional | 900000 | 100000 | 800000 | 50000 | 750000 |
| Unit Linked | 0 | 0 | 0 | 0 | 0 |
| Administration Expense Overrun | -60 | -20 | -40 | 0 | -40 |
| NPVFP after Adm. Exp. Over. | 1329940 | 154980 | 1174960 | 70000 | 1104960 |

3.2. Breakdown of the NPVFP Individual before Adm. Exp.Over.

| CHF 1000 | 200 6 | Change | 2005 (restated) |
|-------------------------|-------|--------|-----------------|
| NPVFP Individual | | | |
| Traditional | | | |
| Endowments | | | |
| Annuities | | | |
| Term | | | |
| Disabilities | | | |
| Other | | | |
| Unit Linked | | | |
| Product 1 | | | |
| Product 2 | | | |
| Product 3 | | | |

4. Relative share of total CoC financed by shareholders

| CHF 1000 | 2006 | | | | | |
|-------------------|------------------|---|-----------------------------|-------------------------------|--|---|
| | Required capital | Difference of Zillmer reserves and assets | Reserves for future bonuses | Reserves for terminal bonuses | Legal quote shift from the ANAV to CoC | Relative share financed by shareholders |
| Individual | 387500 | 100000 | 130000 | 0 | 0 | 40.64516% |
| Traditional | 365000 | 100000 | 130000 | 0 | 0 | 37.0% |
| Unit Linked | 22500 | 0 | 0 | 0 | 0 | 100.0% |
| Group | 730000 | 0 | 190000 | 0 | 135000 | 55.5% |
| Traditional | 730000 | 0 | 190000 | 0 | 135000 | 55.5% |
| Unit Linked | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Total | 1117500 | 100000 | 320000 | 0 | 135000 | 50.3% |

The amount of required capital is often determined according to the EU solvency concept

Relative share financed by shareholders := (Required Capital - Diff(Zr, Za) - ResfB - RestB - LQShift)/Required Capital

| CHF 1000 | 2005 restated | | | | | |
|-------------------|------------------|---|-----------------------------|-------------------------------|--|---|
| | Required capital | Difference of Zillmer reserves and assets | Reserves for future bonuses | Reserves for terminal bonuses | Legal quote shift from the ANAV to CoC | Relative share financed by shareholders |
| Individual | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Traditional | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Unit Linked | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Group | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Traditional | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Unit Linked | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Total | 0 | 0 | 0 | 0 | 0 | 0.0% |

| CHF 1000 | 2005 original | | | | | |
|-------------------|------------------|---|-----------------------------|-------------------------------|--|---|
| | Required capital | Difference of Zillmer reserves and assets | Reserves for future bonuses | Reserves for terminal bonuses | Legal quote shift from the ANAV to CoC | Relative share financed by shareholders |
| Individual | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Traditional | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Unit Linked | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Group | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Traditional | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Unit Linked | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Total | 0 | 0 | 0 | 0 | 0 | 0.0% |

5. Cost of Capital (CoC)

| CHF 1000 | 2006 | | | 2005 restated | | | 2005 original | | |
|-------------------|----------------|---------------------------------------|----------------------------------|---------------|---------------------------------------|----------------------------------|---------------|---------------------------------------|----------------------------------|
| | Total of CoC | Shareholders' share of total CoC in % | Shareholders' share of total CoC | Total of CoC | Shareholders' share of total CoC in % | Shareholders' share of total CoC | Total of CoC | Shareholders' share of total CoC in % | Shareholders' share of total CoC |
| Individual | -192149 | 40.6% | -78000 | | | | | | |
| Traditional | -181149 | 37.0% | -67000 | | | | | | |
| Unit Linked | -11000 | 100.0% | -11000 | | | | | | |
| | | | 0 | | | | | | |
| Group | -365902 | 55.5% | -203000 | | | | | | |
| Traditional | -365902 | 55.5% | -203000 | | | | | | |
| Unit Linked | 0 | 0.0% | 0 | | | | | | |
| | | | 0 | | | | | | |
| Total | -558050 | 50.3% | -281000 | | | | | | |