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Tailor-made pension solutions

“Rate systems” extract



Gross vs. net system



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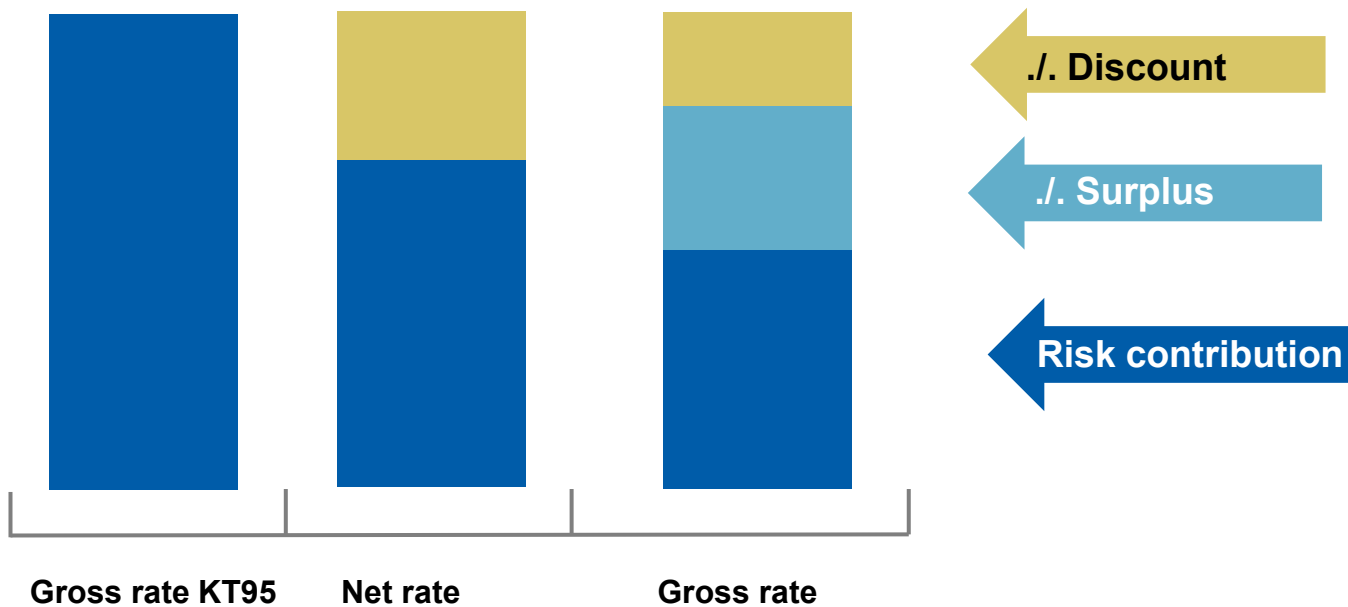
Short and concise (1/2)

- Net rate is based on reduced gross rate KT95*
 - Cheaper premium from the start, no entitlement to surpluses
- Gross rate KT95* with surplus from first year of affiliation
 - With low claims rate, cheaper than net rate

Decision: Reduced premium vs. creation of reserves

* Collective agreement KT95: Cause-related premium (age, gender, marital status, etc.)

Short and concise (2/2)



The net system

- Low premium with classification guarantee from the start of the contract
- No entitlement to risk surpluses
- The invoiced risk premium is lower than with the gross system
- Makes sense in sectors where the financing options are rather limited by employees/employers

The gross system

- A slightly higher premium at the start of the contract than with the net system
- Entitlement to distribution of risk surpluses (depending on actual claims rate) from the first year of the contract
- Average risk surpluses were 20–35% of the invoiced risk premium in recent years
- In the case of no claims, there are full risk surpluses; otherwise, the entitlement is reduced
- Risk surpluses are credited to the value fluctuation reserve of the employee benefits unit and increase the employee benefits unit's coverage ratio and room for manoeuvre
- In the case of a low claims rate, the gross system is more advantageous overall than the net system

Decision-making aids

- Can a slightly higher basic premium be financed by the employee/employer?
 - If yes → gross system is preferable
 - If not → net system
- What was the claims situation (disability cases/deaths) in recent years?
 - If there are no or few claims → gross system
 - If there are some or many claims → net system is preferable
- Should the value fluctuation reserve be built up quickly to achieve a high coverage ratio?
 - If yes → gross system is preferable
 - If no → net system is preferable

Thank you for your attention

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