

Long-term guarantees and the interest rate cycle

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The years of low interest rates exposed a structural weakness of life insurance: the guarantee of a minimum interest rate over decades. Policies concluded in the 1980s and 1990s often guaranteed technical interest rates of 3 to 4 per cent, while yields on Swiss government bonds fell below zero.¹ The market-consistent valuation of the SST made the cost of these guarantees fully visible, obliging life insurers to hold substantial capital against them. Insurers reacted by reducing guarantees for new business and shifting to capital-light products, such as unit-linked policies, in which the policyholder bears the investment risk.

In occupational pensions, the problem was particularly acute because the insurers offered full insurance (*Vollversicherung*), in which they guaranteed all benefits, including the minimum interest rate and the conversion rate prescribed by law for mandatory pensions. In 2018, AXA Switzerland announced that it would withdraw from full insurance with effect from 1 January 2019 and transfer its clients to collective foundations with semi-autonomous solutions.² Other insurers reduced their full insurance business. Only a few insurers continue to offer full insurance today, among them Swiss Life and the combined Helvetia Baloise group. The product remains popular among small and medium-sized enterprises. Chapter IV of this part examines the consequences for the pension fund landscape.

1 Notes

1. On technical interest rates guaranteed in Swiss life insurance in the 1980s and 1990s and their reduction over time, see FINMA's maximum technical interest rates and the annual reports of the Swiss life insurers. Figures to be verified. ↩

Long-term guarantees and the interest rate cycle

2. AXA Switzerland's announcement of April 2018 to withdraw from full insurance in occupational pensions with effect from 2019 and the transfer of its clients to collective foundations; see AXA's press releases and the financial press. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-long-term-guarantees-and-the-interest-rate-cycle