

Social insurance alongside private insurance

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

In the late nineteenth and twentieth centuries, the state took over a growing part of the protection against life's risks. The German social insurance system, created by Bismarck in the 1880s with health insurance, accident insurance and old-age and disability insurance, became a model for other countries. Switzerland followed more slowly and in its own way, through a combination of compulsory public insurance, private insurance and employer-based schemes.¹

The Federal Act on Health and Accident Insurance of 1911 established the Swiss National Accident Insurance Fund, SUVA, in Lucerne, which began operating in 1918 and insured workers in industry against occupational accidents and diseases. The chemical workers of Basel were among the first insured. The old-age and survivors' insurance, AHV, was introduced in 1948, after a long political struggle that the general strike of 1918 had begun. Disability insurance followed in 1960. Occupational pensions, provided by employers through pension funds, became compulsory with the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans, which came into force in 1985.²

The Swiss system of retirement provision rests on three pillars: the state pension of the AHV, financed by contributions and taxes on a pay-as-you-go basis; the occupational pensions of the second pillar, financed by contributions of employers and employees and invested in funded pension schemes; and the private savings of the third pillar, encouraged by tax privileges. The second pillar has accumulated assets of more than one trillion francs, which are invested in bonds, shares, real estate and alternative investments. The pension funds are among the largest investors in the Swiss financial market.³

The chemical companies of Basel created pension funds for their employees long before the occupational pension became compulsory. These funds, which accumulated large assets over the decades, became important

investors and clients of the Basel banks and asset managers. The pension funds of Roche and Novartis are today among the largest in Switzerland. The management of pension fund assets, which requires expertise in asset allocation, risk management and long-term investment, is a significant business of the Swiss financial centre.

1 Notes

1. On the development of social insurance in Germany (1883 health insurance, 1884 accident insurance, 1889 old-age and disability insurance) and in Switzerland, see the standard literature on the history of the welfare state. To be verified. ↩
2. Federal Act on Health and Accident Insurance of 13 June 1911 (SUVA operational from 1918); Old-Age and Survivors' Insurance (AHV/AVS) in force since 1 January 1948; Disability Insurance since 1960; Federal Act on Occupational Pensions (BVG/LPP, SR 831.40) in force since 1 January 1985. To be verified. ↩
3. On the three-pillar system of Swiss retirement provision (Art. 111 ff. Federal Constitution) and the assets of Swiss pension funds (over CHF 1 trillion), see the statistics of the Federal Statistical Office on occupational pensions. Figures to be verified. ↩

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