Helvetia Collective Life Insurance

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Operative Account 2018.

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Your Swiss Insurer

Helvetia keeps its promise – and takes action.

Dear Readers,

Switzerland's tried-and-tested pension system is increasingly becoming unbalanced. Although the need for action has been recognized not only by providers of pension solutions but indeed also by politicians, concrete implementation measures, especially for the 2nd pillar, are still not materializing. In the previous year's operative account, Helvetia promised to use the room for manoeuvre that it has and take the urgently needed measures itself. We are keeping this promise.

The generally positive results that we can also present to you in this year's operative account should not hide the fact that the Swiss social insurance system, once a model to numerous other countries for setting up their own system, is threatening to slide into a veritable systemic crisis.

The main reason for this is the prolonged period of low interest rates. The LOB conversion rate of 6.8 percent that currently applies to the calculation of retirement pensions was set in 2004; at the time this was based on an expected interest rate of 4 percent. Since then, life expectancy has continued to rise. As early as 2014 the "dispatch on the pensions 2020 reform package" assumed a return of 5 percent for the minimum conversion rate in place today, and concluded that this cannot be achieved in the long term (source: Federal Council dispatch on the pensions 2020 reform package dated 19 November 2014, p. 69). Indeed, such returns cannot be generated in the current capital market environment. In addition, an exceptionally large number of people will be leaving the workforce and entering retirement in the next few years. I am referring, of course, to the so-called "baby boomer generation". This will additionally worsen the situation, making the need to act all the greater and more pressing. The political authorities continue, however, to close their eyes to this unmistakable development and are putting off vitally needed reforms.

The result is an unjust redistribution that runs counter to the essence of the system: The pension funds are compelled to use an ever greater share of their interest income, returns on capital investments and surpluses (which should really be credited to the retirement savings of the generation that is still active) to finance current pensions.

I promised in last year's operative account that, despite the narrow regulatory provisions and the limited room for manoeuvre, Helvetia will use the available opportunities to develop efficient and sustainable measures. We are honouring this promise: Numerous measures that we drew up in 2018 are currently being given a more concrete form. We will be providing you with specific information in the course of the first half of 2019. These measures all have the same goal: Helvetia aims to be able to offer its customers and participants stable and secure services as well as solutions that are both needs-based and fair. It is committed to the full-insurance model, but also offers yield-oriented price-conscious companies an attractive pension solution through the "Helvetia LOB Invest" Group Foundation. You as a customer will continue to have a free choice of model.

We will also never stop striving to justify the trust that you as a customer place in Helvetia. This is our objective every day. We look forward to continuing to work with you.

Helvetia Swiss
Life Insurance Company Ltd

Donald Desax
Member of Group Executive Management
Head of Occupational Pension Provision Switzerland

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Income statement.

The following income statement reports on Helvetia Insurance's income and expenses for its collective life business in 2018, providing information on the type, amount and composition of our success in this business sector.

Income statement

in TCHF, pursuant to the statutory financial statements	2018	2017	Δ abs	Δ %
Income				
Savings premiums	2 213 666	2 171 499	42 166	2%
Old-age credits	859 143	829 108	30 035	4%
Individual payments due to start of employment, purchases, home ownership promotion or divorce	1 000 685	983 973	16 712	2%
Retirement savings transferred (contracts transferred in the case of new associations)	330 580	285 762	44 818	16%
Payments for old-age and survivors' pensions	7 038	33 876	–26 838	–79%
Payments for disability and disabled's children's pensions	15 034	24 959	–9 925	–40%
Payments for vested benefit policies	1 186	13 821	–12 636	–91%
Risk premiums	315 285	302 940	12 345	4%
Cost premiums	94 568	89 561	5 007	6%
Written gross premiums	**2 623 518**	**2 564 000**	**59 519**	**2%**
Gross investment income	433 287	448 972	–15 685	–3%
Liquid funds	0	0	0	
Bonds	210 017	239 154	–29 137	–12%
Properties	119 689	117 673	2 016	2%
Mortgages	57 003	60 672	–3 669	–6%
Other income from investments	46 578	31 473	15 105	48%
Proceeds from disposals	57 271	46 677	10 594	23%
Amount of write-ups/depreciation	–84 665	–16 112	–68 552	425%
Exchange gains and losses	–65 084	–83 070	17 986	–22%
Interest expense	–3 766	–3 896	131	–3%
Asset management expense	–37 291	–36 958	–333	1%
Net income from investments	**299 752**	355 612	**–55 860**	**–16%**
Other income	22 353	19 926	2 427	12%
Re-insurance result	–11 416	–12 903	1 487	–12%
Total income	**2 934 208**	**2 926 635**	**7 573**	**0%**

in TCHF, pursuant to the statutory financial statements	2018	2017	Δ abs	Δ %
Expenses				
Retirement benefits[1]	420 088	368 833	51 255	14%
Pension benefits	190 034	174 913	15 121	9%
Capital benefits	230 053	193 920	36 134	19%
Death and disability benefits	232 708	196 770	35 938	18%
Pension benefits	148 661	144 387	4 274	3%
Capital benefits	84 047	52 383	31 664	60%
Individual capital benefits (vested benefits, home ownership promotion, divorce, vested benefits policy)	1 077 385	1 012 688	64 697	6%
Redemption values due to termination of contracts	336 118	543 089	–206 972	–38%
Benefits processing costs	7 352	7 067	285	4%
Insurance benefits	**2 073 650**	**2 128 448**	**-54 797**	**-3%**
Retirement savings	393 233	236 440	156 794	66%
Provision for future conversion rate losses	75 700	23 700	52 000	219%
Actuarial reserve for current retirement and survivors' pensions	209 922	247 964	–38 042	–15%
Actuarial reserve for current disability and disabled's children's pensions	–23 891	14 545	–38 436	–264%
Actuarial reserve for vested benefit policies	–45 166	–64 163	18 997	–30%
Actuarial reserve for other cover	0	0	0	
Strengthening of actuarial reserve for pensions and vested benefit policies	–3 057	87 260	–90 317	–104%
Provision for incurred but not settled claims (RBNS and IBNR)	16 640	–1 012	17 652	–1 744%
Value fluctuation reserves and interest guarantee reserves	0	0	0	
Cost-of-living adjustment provisions	–124 018	1 384	–125 403	–9 058%
Other technical provisions	42 900	–1 200	44 100	–3 675%
Change in technical provisions	**542 263**	**544 919**	**-2 656**	**0%**
Allocation to the surplus fund[2]	151 182	74 343	76 839	103%
Change in unearned premium reserves	–2	0	–2	
Acquisition and administration costs	100 959	97 948	3 010	3%
Other expenses	2 144	14 009	–11 866	–85%
Operating result	64 012	66 968	–2 956	–4%
Total expenses	**2 934 208**	**2 926 635**	**7 573**	**0%**

	2018	2017
[1] **Breakdown of retirement benefits**		
Pension benefits	45%	47%
Capital benefits	55%	53%

[2] Patria Genossenschaft makes an annual contribution to the surplus fund of Helvetia Insurance. The share of the collective life business of CHF 22.3 million (prior year CHF 19.6 million) is included on the one hand as income under "Other income" and on the other hand as expense under "Allocation to the surplus fund".

Balance sheet figures.

With the following balance sheet, Helvetia Insurance provides information on the origin and use of the funds allocated to its collective life business.

Balance sheet

in TCHF, pursuant to the statutory financial statements	2018	2017	Δ abs	Δ %
Assets				
Investments				
Liquid funds	646 556	354 656	291 900	82%
Bonds	10 811 269	10 768 644	42 625	0%
Of which in Swiss francs	6 755 039	6 635 292	119 747	2%
Of which in foreign currencies	4 056 230	4 133 352	–77 122	–2%
Properties	2 589 205	2 491 043	98 162	4%
Mortgages	3 229 842	3 360 817	–130 975	–4%
Shares and participations	387 655	420 121	–32 467	–8%
Alternative investments	0	0	0	
Investment fund units	761 339	601 941	159 398	26%
Net assets from financial derivative instruments	58 432	–66 525	124 958	–188%
Other investments	710 275	532 635	177 640	33%
Total investments	**19 194 572**	**18 463 332**	**731 241**	**4%**
Liabilities from financial derivative instruments	11 245	86 528	–75 283	–87%
Other assets	597 163	510 285	86 878	17%
Passive reinsurance	3 315	3 908	– 593	–15%
Balance sheet total	**19 806 295**	**19 064 053**	**742 242**	**4%**

in TCHF, pursuant to the statutory financial statements	2018	2017	Δ abs	Δ %
Liabilities				
Technical provisions				
Retirement savings	11 633 426	11 240 192	393 233	3%
Mandatory insurance	6 211 719	6 025 940	185 779	3%
Supplementary system	5 421 707	5 214 252	207 454	4%
Provision for future pension conversion rate losses	512 600	436 900	75 700	17%
Mandatory insurance	440 000	369 000	71 000	19%
Supplementary system	72 600	67 900	4 700	7%
Actuarial reserve for current retirement and survivors' pensions	3 057 038	2 847 116	209 922	7%
Mandatory insurance	1 619 495	1 502 637	116 858	8%
Supplementary system	1 437 543	1 344 479	93 064	7%
Actuarial reserve for current disability and disabled's children's pensions	1 180 289	1 204 180	–23 891	–2%
Mandatory insurance	711 632	729 843	–18 211	–2%
Supplementary system	468 658	474 337	–5 680	–1%
Actuarial reserve for vested benefit policies	284 513	329 679	–45 166	–14%
Actuarial reserve for other cover	0	0	0	
Strengthening of actuarial reserve for pensions	863 170	866 227	–3 057	0%
Provision for incurred but not settled claims (RBNS and IBNR)	246 269	229 629	16 640	7%
Provision for interest guarantees, claims fluctuations and value fluctuations	123 000	80 000	43 000	54%
Other technical provisions	9 900	10 000	–100	–1%
Cost-of-living adjustment provisions	192 391	316 409	–124 018	–39%
Balance at beginning of year	316 409	315 024	1 384	0%
Cost-of-living premiums, gross	2 053	1 956	97	5%
Expenses	–1 369	–391	–978	250%
Cost of adjusting risk pensions to increase in price index	–198	–181	–18	10%
Released and used for strengthening in accordance with Art. 149 (1) letter a	–74 512	0	–74 512	
Released and credited to surplus fund	–49 992	0	–49 992	
Formation of additional cost-of-living adjustment provisions	0	0	0	
Total technical provisions	**18 102 595**	**17 560 332**	**542 263**	**3%**
Surplus fund	222 608	152 379	70 229	46%
Balance at beginning of year	152 379	156 643	–4 264	–3%
Distribution to pension funds (distribution of surplus)	–80 953	–78 607	–2 346	3%
Surplus sharing current year (allocation of surplus)	151 182	74 343	76 839	103%
Withdrawal to cover operating deficit	0	0	0	
Valorization adjustment	0	0	0	
Unearned premium reserves	4	6	–2	–34%
Provision for credited dividends	20 011	22 072	–2 062	–9%
Other liabilities	1 461 077	1 329 264	131 813	10%
Balance sheet total	**19 806 295**	**19 064 053**	**742 242**	**4%**

Investments.

Investment year 2018

The normalization of monetary policy initiated by the US Fed prompted increases in US dollar money market and capital market rates. By contrast, with the European Central Bank and the Swiss National Bank continuing to take an offensive stance, there were hardly any changes in interest rates. Emerging economic worries, in particular the trade war between the US and China, Italy's budget dispute with the European Union and the unresolved Brexit situation increasingly unsettled the markets in the course of the year. This not only caused an increase in interest spreads on corporate bonds, it also resulted in a bad year for equities. Equity markets across the globe plunged at the end of the year, suffering losses averaging 10 percent.

The Swiss real estate market continued to prove extremely robust. The vacancy rate remained almost constant, with voids somewhat lower in the residential sector and slightly higher in the commercial segment. Stable rental income and continuing low interest levels pushed market values up. With the real estate environment intact, the mortgage market also remained attractive for institutional investors.

Investment volume and asset allocation

In the year under review, the investment volume measured at carrying amounts grew by CHF 731 million to CHF 19.2 billion. The market value of the portfolio increased by CHF 439 million to CHF 20.5 billion. The valuation reserves, which result from the difference between the market value and the carrying amount, totalled just under CHF 1.3 billion. The faltering equity markets and higher interest spreads on corporate bonds led to a year-on-year decrease of almost CHF 300 million.

New funds were invested as planned in fixed-interest securities, real estate and private debt. The substantial interest-driven increase in hedging costs on the US dollar triggered switches out of US Treasury bonds into euro- and CHF-denominated investments.

The strategic asset allocation saw only minor changes compared with the previous year. The comparatively sizeable holdings of liquid assets was the result of relatively high premium inflows at the end of year, which are promptly being invested largely in fixed-income instruments in the first few months of the new year.

Return on investment

At CHF 299.8 million, net income from investments translated into a return on investment of 1.59 percent, representing a year-on-year decrease of CHF 56 million or 37 basis points. With income from securities and mortgages slightly lower because of interest rates, equities in particular depressed the result. Directly held Swiss real estate once again proved to be a stable source of income both in terms of direct returns and favourable performance.

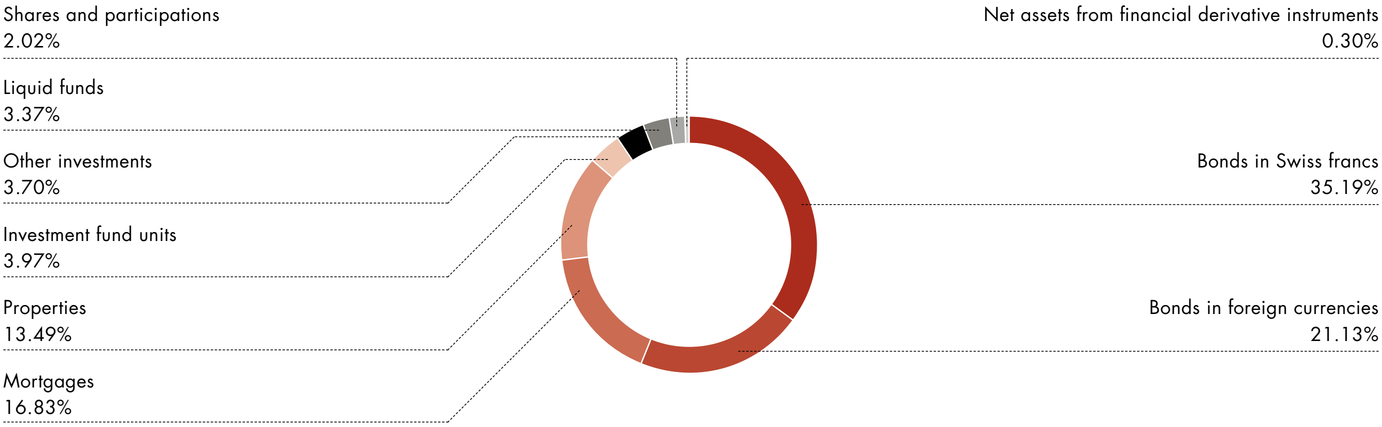
At 0.04 percent, the net performance based on market values was just in positive territory. In addition to the development of the equity markets, higher interest spreads on corporate bonds were the main cause of the weaker showing compared with 2017.

Outlook

Numerous forecasters are expecting the current business cycle to gradually run its course. This is hardly likely to spark fresh impetus from the economic front. Matters are made worse by unresolved political problem areas – whether the still smouldering trade conflict, the uncertain Brexit scenario or high global debt – adding to the uncertainty of the markets. We will therefore continue our cautious investment policy in the current year and manage investment risks promptly and effectively.

Asset allocation

Investments by asset class as at 31.12. (in % of carrying amount)	2018	2017
Bonds, total	56.32%	58.32%
of which in Swiss francs	35.19%	35.94%
of which in foreign currencies	21.13%	22.39%
Mortgages	16.83%	18.20%
Properties	13.49%	13.49%
Investment fund units	3.97%	3.26%
Other investments	3.70%	2.88%
Liquid funds	3.37%	1.92%
Shares and participations	2.02%	2.28%
Net assets from financial derivative instruments	0.30%	–0.36%



Net investment income

in TCHF	2018	2017	Δ abs	Δ %
Gross investment income	337 043	392 570	–55 527	–14%
Asset management expense	–37 291	–36 958	–333	1%
Net investment income	**299 752**	**355 612**	**–55 860**	**–16%**

Investments and hidden reserves

in TCHF	2018	2017	Δ abs	Δ %	2016
Carrying amount of investments	19 194 572	18 463 332	731 241	4%	17 824 813
Market value of investments	20 472 498	20 033 634	438 864	2%	19 422 630
Hidden reserves	1 277 926	1 570 302	–292 377	–19%	1 597 817

Return on carrying amounts and performance on market values

	2018	2017	Δ abs	Δ %
Net return on carrying amounts	1.59%	1.96%	–0.37%	–19%
Net performance on market values	0.04%	1.66%	–1.63%	–98%
Gross return on carrying amounts	1.79%	2.16%	–0.37%	–17%
Gross performance on market values	0.22%	1.85%	–1.63%	–88%

Market value of investments

in TCHF	2018	2017	Δ abs	Δ %
Direct investments	19 877 430	19 343 292	534 138	3%
Quote	97.1%	96.6%	0.5%	1%
Single- and multi-level collective investments	595 068	369 739	225 329	61%
Quote	2.9%	1.8%	1.1%	57%
Non-cost-transparent investments	0	320 603	–320 603	–100%
Quote	0.0%	1.6%	–1.6%	–100%
Market value of investments	**20 472 498**	**20 033 634**	**438 864**	**2%**

Asset management expense

All the internal costs in connection with the investment business and external fees (safekeeping account fees, other fees, costs of alternative investments, etc.) are included in the asset management expense. These costs do not include transaction costs or real estate expenses, which are deducted from income as is customary in the sector.

Overview of asset management expense

in TCHF	2018	2017	Δ abs	Δ %
Asset management expense (gross according to Supervisory Commission overview)	74 007	66 871	7 136	11%
TER costs[1]	68 340	63 544	4 796	8%
Direct investments	64 940	62 865	2 075	3%
Single- and multi-level investments (expense figure)	3 400	679	2 721	401%
TTC costs[2]	4 521	2 571	1 950	76%
SC costs[3]	1 146	756	390	52%
Capitalized costs	–4 521	–2 571	–1 950	76%
Maintenance and repair costs, properties	–32 195	–27 342	–4 853	18%
Asset management expense (net as per OP operative account)	**37 291**	**36 958**	**333**	**1%**

[1] TER costs: costs of administration and management (internal and external).
[2] TTC costs: transaction costs.
[3] SC costs: costs that cannot be assigned to individual investments.

Legal quote.

Business subject to the legal quote

The statutory provisions governing the legal quote require that at least 90% of income be used to the benefit of the active participants. This ensures that they participate appropriately in the profits earned by the insurance company.

Balance as at 31.12.2018, in TCHF	2018	2017	Δ abs	Δ %
Sum of income components	571 318	615 285	–43 967	–7%
Savings process (investment income)	287 093	339 547	–52 454	–15%
Risk process (risk premiums)	221 023	214 381	6 642	3%
Cost process (cost premiums)	63 202	61 358	1 845	3%
Sum of expenses	–412 427	–421 050	8 622	–2%
Savings process (mainly technical interest)	–213 926	–213 923	– 2	0%
Risk process (mainly death and disability benefits)	–144 100	–140 995	–3 105	2%
Cost process (mainly administration costs)	–54 402	–66 131	11 729	–18%
Gross result of operative account	**158 891**	**194 235**	**–35 344**	**–18%**
Increase (–) and release (+) of technical provisions	–51 188	–108 000	56 812	–53%
Under the savings process	–9 488	–101 100	91 612	–91%
Longevity risk	–9 200	–76 700	67 500	–88%
Deficits from pension conversion	–74 800	–24 400	–50 400	207%
Interest guarantees	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	74 512	0	74 512	
Fluctuations in the value of investments	0	0	0	
Under the risk process	–41 700	–6 900	–34 800	504%
Reported but not settled claims	1 300	–6 900	8 200	–119%
Incurred but not reported claims	0	0	0	
Claims fluctuations	–43 000	0	–43 000	
Tariff adjustments and tariff restructuring	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	0	0	0	
Formation of additional cost-of-living adjustment provisions	0	0	0	
Cost-of-living adjustment provisions released and credited to surplus fund	0	0	0	
Costs of raising additional risk capital	0	0	0	
Allocation to surplus fund	–53 606	–28 396	–25 210	89%
Result of operative account	**54 098**	**57 839**	**–3 742**	**–6%**
Distribution rate	**90.5%**	**90.6%**		
Legal quote	**90.0%**	**90.0%**		

In its business subject to the legal quote, Helvetia used a total of CHF 517.2 million to the benefit of the participants in 2018. This equals a distribution rate of 90.5%.

The benefits paid to the active participants include the following components:
- Benefits allocated directly to the savings, risk and cost processes: CHF 412.4 million
- Strengthening of reserves: CHF 51.2 million
- Costs of raising additional risk capital: CHF 0.0 million
- Allocation to surplus fund: CHF 53.6 million

Helvetia generates cost-covering income under the savings, risk and cost processes. Helvetia sets an extremely high priority on the security of the pension assets. The demographic and economic conditions are taken into account through the appropriate strengthening of reserves. A consequence of these conditions is, for example, the deficit which is caused by the difference between the statutory and the actuarially correct pension conversion rates.

Business not subject to the legal quote

Contracts that contain a special contractual regulation regarding surplus sharing are partly or totally excluded from the statutory provisions governing the legal quote. The source of the results and their allocation to business not subject to the legal quote are shown below:

Balance as at 31.12.2018, in TCHF	2018	2017	Δ abs	Δ %
Sum of income components	138 287	132 828	5 459	4%
Savings process (investment income)	12 659	16 066	–3 406	–21%
Risk process (risk premiums)	94 262	88 559	5 703	6%
Cost process (cost premiums)	31 365	28 203	3 162	11%
Sum of expenses	–90 945	–75 992	–14 953	20%
Savings process (mainly technical interest)	–13 368	–14 924	1 556	–10%
Risk process (mainly death and disability benefits)	–56 147	–40 464	–15 683	39%
Cost process (mainly administrative assets costs)	–21 430	–20 604	–827	4%
Gross result of operative account	**47 342**	**56 836**	**–9 494**	**–17%**
Increase (–) and release (+) of technical provisions	60 149	–1 760	61 909	–3 517%
Under the savings process	–534	262	–795	–304%
Longevity risk	367	–438	805	–184%
Deficits from pension conversion	–900	700	–1 600	–229%
Interest guarantees	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	0	0	0	
Fluctuations in the value of investments	0	0	0	
Under the risk process	10 690	–2 022	12 712	–629%
Reported but not settled claims	10 690	–2 022	12 712	–629%
Incurred but not reported claims	0	0	0	
Claims fluctuations	0	0	0	
Tariff adjustments and tariff restructuring	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	0	0	0	
Formation of additional cost-of-living adjustment provisions	0	0	0	
Cost-of-living adjustment provisions released and credited to surplus fund	49 992	0	49 992	
Costs of raising additional risk capital	0	0	0	
Allocation to surplus fund	–97 576	–45 947	–51 629	112%
Result of operative account	**9 914**	**9 128**	**786**	**9%**
Distribution rate	**92.8%**	**93.1%**		

Contracts that contain a special contractual regulation regarding surplus sharing include in particular:
- Contracts with their own profit and loss account (so-called own bonus groups). Participation in profit in the form of surpluses is dependent upon the individual claims history of the contract;
- Contracts where policyholders bear the investment risk themselves and therefore participate directly in the investment income.

The result of the business not subject to the legal quote was particularly affected by Swisscanto's collective foundations as pension plans with their own bonus groups. As a ratio of the total number of participants, the Swisscanto business accounts for almost one-third of Helvetia's total collective life business. The investment risk of this business segment has not been re-insured with Helvetia.

Result occupational benefits, total

Balance as at 31.12.2018, in TCHF	2018	2017	Δ abs	Δ %
Sum of income components	709 605	748 113	–38 508	–5%
Savings process (investment income)	299 752	355 612	–55 860	–16%
Risk process (risk premiums)	315 285	302 940	12 345	4%
Cost process (cost premiums)	94 568	89 561	5 007	6%
Sum of expenses	–503 372	–497 042	–6 330	1%
Savings process (mainly technical interest)	–227 293	–228 847	1 554	–1%
Risk process (mainly death and disability benefits)	–200 247	–181 459	–18 787	10%
Cost process (mainly administration costs)	–75 832	–86 735	10 903	–13%
Gross result of operative account	**206 233**	**251 071**	**–44 838**	**–18%**
Increase (–) and release (+) of technical provisions	8 961	–109 760	118 721	–108%
Under the savings process	–10 021	–100 838	90 817	–90%
Longevity risk	–8 834	–77 138	68 305	–89%
Deficits from pension conversion	–75 700	–23 700	–52 000	219%
Interest guarantees	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	74 512	0	74 512	
Fluctuations in the value of investments	0	0	0	
Under the risk process	–31 010	–8 922	–22 088	248%
Reported but not settled claims	11 990	–8 922	20 912	–234%
Incurred but not reported claims	0	0	0	
Claims fluctuations	–43 000	0	–43 000	
Tariff adjustments and tariff restructuring	0	0	0	
Cost-of-living adjustment provisions released and used for strengthening	0	0	0	
Formation of additional cost-of-living adjustment provisions	0	0	0	
Cost-of-living adjustment provisions released and credited to surplus fund	49 992	0	49 992	
Costs of raising additional risk capital	0	0	0	
Allocation to surplus fund	–151 182	–74 343	–76 839	103%
Result of operative account	**64 012**	**66 968**	**–2 956**	**–4%**
Distribution rate	**91.0%**	**91.0%**		

Sources of revenue and most important expenses for the three processes

Process	Income	Allocated benefits
Savings	**Net investment income**	Rate of interest for retirement savings capital and the actuarial reserves for current pensions, conversion of retirement savings capital into retirement pensions
Risk	**Risk premium**	Payment of disability and survivors' benefits, accrual of actuarial reserves for new pensions
Costs	**Cost premium**	Services provided as part of the administration of the occupational benefits and insurance solutions as well as customer advice

Surplus fund.

The surplus fund contains reserves for future surplus sharing. It is used to guarantee customers' long-term, stable surplus sharing and to smooth out any fluctuations in the course of business. The reserves may only be used to the benefit of active participants as part of their occupational benefit scheme. Pursuant to the provisions of the Supervision Ordinance (AVO), an allocation from the operative account must be paid out after five years at the latest, with the proviso that the distribution may not exceed two-thirds of the surplus fund.

Surplus fund

in TCHF	2018	2017	Δ abs	Δ %
Tied portion	125 492	92 757	32 735	35%
Free portion	97 115	59 621	37 494	63%
Surplus fund, total	**222 608**	**152 378**	**70 229**	**46%**
Of which subject to legal quote	113 375	91 959	21 416	23%
Of which not subject to legal quote	109 233	60 420	48 813	81%

Allocation from operative account
The surplus fund for collective life insurance business was allocated a total of CHF 151.2 million from the 2018 result. CHF 53.6 million of this is allocated to business subject to the legal quote.

Distribution to pension plans
For the business subject to the legal quote, surpluses amounting to CHF 32.2 million were paid out in 2018. This concerns the interest and risk surpluses for 2017 that were credited to the pension plans retroactively on 01.01.2018 as well as the surplus sharing of vested benefit policies for 2018.

Profit sharing

In its surplus policy of past years Helvetia has given centre stage to continuity and stability. This consistent surplus policy and the good business result in 2018 allow adequate surplus sharing. As at 01.01.2019 the following surpluses will be credited retroactively for 2018:

Interest surplus and total interest for 2018[1]

	Guaranteed interest rate	Interest surplus	Total interest
LOB retirement savings capital	1.00%	0.00%	1.00%
Supplementary retirement savings capital	0.25%	0.50%	0.75%

[1] Applies to full insurance solutions offered by Helvetia's collective foundations and company-own foundations with a full insurance contract.

In accordance with the regulations for the legal quote relating to the distribution of surpluses, a risk surplus was paid out for 2018 in addition to the interest surplus. Customers with a special surplus agreement or with collective insurance outside of the occupational benefit scheme are excluded from the risk surplus.

Operating expenses and cost premiums.

Operating expenses

in TCHF	2018	2017	Δ abs	Δ %
According to cost centres				
Acquisition and administration costs	100 959	97 948	3 010	3%
Acquisition costs	19 918	21 679	–1 761	–8%
To brokers and agents	6 368	6 386	–18	0%
To own sales agents	3 104	3 725	–621	–17%
Other	10 447	11 568	–1 121	–10%
Marketing and advertising expenses	2 626	2 535	92	4%
General administration expenses	78 414	73 735	4 679	6%
Benefits processing costs	7 352	7 067	285	4%
Reinsurers' share in operating expenses	–4 917	–5 297	380	–7%
Total operating expenses	**103 394**	**99 718**	**3 675**	**4%**
According to cost units				
Operating expenses for active participants	95 000	91 504	3 496	4%
Operating expenses for pensioners	7 352	7 067	285	4%
Operating expenses for vested benefit policies	1 042	1 148	–106	–9%
Operating expenses for other cost units	0	0	0	–118%
Total operating expenses	**103 394**	**99 718**	**3 675**	**4%**
Per head (in CHF)				
Operating expenses for active participants	477	479	–2	0%
Operating expenses for pensioners	271	273	–1	–1%
Operating expenses for vested benefit policies	122	124	–2	–1%
Total operating expenses	**441**	**441**	**0**	**0%**

Cost premiums

in TCHF	2018	2017	Δ abs	Δ %
According to cost units				
Cost premiums of active participants	93 621	88 465	5 156	6%
Cost premiums of vested benefit policies	947	1 096	–149	–14%
Other cost premiums	0	0	0	
Total cost premiums	**94 568**	**89 561**	**5 007**	**6%**
Per head (in CHF)				
Cost premiums of active participants	470	463	7	2%
Cost premiums of vested benefit policies	111	119	–7	–6%
Total cost premiums	**403**	**396**	**7**	**2%**

Other key figures.

Portfolios as at 31.12.

	2018	2017	Δ abs	Δ %
Number of active participants	199 006	191 027	7 979	4%
Number of fully insured active participants	119 933	111 899	8 034	7%
Number of other active participants	79 073	79 128	–55	0%
Number of pensioners	27 084	25 897	1 187	5%
Number of vested benefit policies	8 509	9 244	–735	–8%
Number of active participants	**234 599**	**226 168**	**8 431**	**4%**
Number of collective contracts	**17 498**	**17 498**	**0**	**0%**

Interest and conversion rates

	2018	2017	Δ abs	Δ %
Technical interest rate for assessing pension obligations	1.30%	1.30%	0.00%	0%
Interest rate for supplementary retirement savings capital	0.25%	0.25%	0.00%	0%
Pension conversion rate for supplementary benefits for men retiring at age 65 with full insurance	5.12%	5.36%	–0.24%	–4%
Pension conversion rate for supplementary benefits for women retiring at age 64 with full insurance	5.01%	5.24%	–0.23%	–4%

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