Finansinspektionen's Regulatory Code

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Regulations amending Finansinspektionen's regulations and general guidelines (FFFS 2015:8) regarding insurance business;

FFFS 2020:6
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decided on 19 May 2020.

Finansinspektionen prescribes[1] pursuant to Chapter 7, section 2, first paragraph, points 17 and 18 and second paragraph of the Insurance Business Ordinance (2011:257) that Chapter 4, sections 15 and 23 and Chapter 10, section 4 of Finansinspektionen's regulations and general guidelines (FFFS 2015:8) regarding insurance business shall have the following wording.

Chapter 4

Section 15 An insurance undertaking, following consent from Finansinspektionen, may use matching-adjusted risk-free interest term structures for relevant durations when calculating the best estimate of life insurance liabilities, including life annuities and disability annuities deriving from non-life insurance contracts, provided that the following requirements have been met:

1. A portfolio of assets that corresponds to the life insurance liabilities, consists of bonds and other assets that have similar cash flow characteristics.

2. The asset portfolio as in point 1 does not change over the life of the life insurance liabilities. However, if material changes are made to cash flows, changes may be made to the asset portfolio in order to preserve consistency in cash flows between the asset portfolio and the liabilities.

3. The asset portfolio as in point 1 is managed separately and cannot be used to cover losses arising in the other operations of the undertaking.

4. Cash flows for the asset portfolio as in point 1 cannot be changed by the party that issued the assets or by another third party, unless the insurance undertaking receives sufficient compensation to attain the same cash flows by reinvesting in assets with equal or better credit quality. The asset portfolio, however, can include assets for which the cash flows are fixed with the exception of an inflation-dependence, assuming that these assets reflect the cash flows that are dependent on inflation of the liabilities.

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[1] Cf. Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as worded according to Directive 2019'72177 of the European Parliament and of the Council.

5. The expected cash flow from the asset portfolio as in point 1 fully reflects every single anticipated cash flow for the liabilities, in the same currency. Risks due to mismatching between the asset portfolio and life insurance liabilities are not material in relation to the inherent risks in the operations in which matching adjustment is used.
6. The insurance contracts that correspond to the life insurance liabilities do not give rise to future premium payments.

7. The life insurance liabilities only contain the insurance risks longevity risk, expense risk, revision risk, lapse risk and mortality risk. If the life insurance liabilities contain mortality risk, the value of the best estimate does not increase by more than 5 per cent in the mortality risk stress test as in Article 52 of Commission Delegated Regulation (EU) 2015/35.

8. The insurance contracts that correspond to the life insurance liabilities do not contain options for the policyholder. However, the contracts may contain a possibility to wholly or partially terminate the policy prematurely if the value of secured assets exceeds the value of the liability at the time the option is exercised.

9. Life insurance liabilities that correspond to an insurance contract are not split into different parts when the life insurance liabilities are established.

Section 23 An insurance undertaking shall calculate the volatility adjustment as follows:

VS = the risk-corrected currency spread,
LS = the risk-corrected country spread,
ÖVS = Any increased risk-corrected risk-adjusted currency spread, as below.

Here, ÖVS = VS + T, where

$$T = \begin{cases} LS - 2 \cdot VS \text{ if } LS - 2 \cdot VS > 0 \text{ och } LS > 85 \text{ basis points} \\ 0 \text{ otherwise} \end{cases}$$

The volatility adjustment VA is then calculated as

VA = 65% · ÖVS.

Chapter 10

Section 4 An application for authorisation to acquire shares or participations in an insurance undertaking shall contain the information set out in *Appendix 1a* for a natural person or *Appendix 1b* for a legal person.

When the acquirer is a legal person, the application shall also include the information set out in *Appendix 1c* regarding the acquirer's members of the board of directors, alternate board members, managing director or deputy managing director

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These regulations shall enter into force on 01 June 2020.

ERIK THEDÉEN

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