

Finansinspektionen's Regulatory Code

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This translation is furnished solely for information purposes. Only the printed version of the regulation in Swedish applies for the application of the law.

Regulations

amending Finansinspektionen's regulations and general guidelines (FFFS 2019:23) regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision;

FFFS 2020:24

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decided on 13 October 2020.

Finansinspektionen prescribes pursuant to sections 4, 5, 7 and 8 of the Annual Accounts at Credit Institutions, Securities Companies and Insurance Undertakings Ordinance (1995:1600) in respect of Finansinspektionen's regulations and general guidelines (FFFS 2019:23) regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision

in part that Chapter 1, section 1; Chapter 7, section 2; and the heading immediately preceding Chapter 7, section 2 shall have the following wording,

in part that two new sections, Chapter 7, sections 4 and 5, and a new heading immediately preceding Chapter 7, section 4 shall be inserted with the following wording.

Finansinspektionen also provides the following general guidelines.

Chapter 1

Section 1 These regulations and general guidelines apply to insurance companies, mutual insurance companies and insurance associations covered by the Insurance Business Act (2010:2043) and to occupational pension companies, mutual occupational pension companies and occupational pension associations covered by the Occupational Pension Undertakings Act (2019:742), unless something else applies by virtue of the fifth paragraph.

The provisions set out in sections 2 and 3, and in Chapters 7 and 8 apply to those financial holding companies that, in accordance with Chapter 1, section 1, third paragraph of the Annual Accounts at Insurance Undertakings Act (1995:1560), shall apply Chapter 7 of the same act when preparing consolidated accounts.

The provisions set out in sections 2 and 3 and in and Chapters 2–4 and 6 apply to those branches of foreign insurance undertakings and foreign institutions for occupational retirement provision that shall apply the Annual Accounts at Insurance Undertakings Act when preparing their annual accounts in accordance with Chapter 6, section 3a of the Accounting Act (1999:1078). The provisions set out in Chapters 2–4 apply to branches of foreign insurance undertakings and institutions for occupational retirement provision that shall apply the Annual Accounts at Insurance

Undertakings Act when preparing their annual accounts in accordance with Chapter 6, section 3b of the Accounting Act.

The provisions set out in sections 2 and 3 and Chapters 2–4 are also applied to annual accounts prepared for business related to non-life insurance, reinsurance of non-life insurance or business conducted by institutions for occupational retirement provision and which is conducted from fixed establishments by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act and are applied in an equivalent manner as set out in that section.

These regulations and general guidelines shall not be applied by those mutual insurance companies and insurance associations that received an exception in accordance with Chapter 1, section 1, fourth paragraph of the Annual Accounts at Insurance Undertakings Act and may apply provisions concerning simplified annual accounts. This applies unless something else applies by virtue of Finansinspektionen's regulations and general guidelines (FFFS 2011:27) regarding simplified annual accounts at insurance undertakings that were granted exception.

These regulations and general guidelines shall not be applied by such special purpose vehicles referred to Chapter 1, section 12, point 11 of the Insurance Business Act.

General guidelines

The addendum to the fourth paragraph means that these regulations and general guidelines are applied in the same way to a branch. Each non-life insurance undertaking that conducts business through general representation is considered to be an independent branch in relation to other non-life insurance undertakings that conduct business through the same general representation. See Chapter 4, section 8 of the Accounting Act.

Chapter 2

Application of international accounting standards

General guidelines

1. All undertakings should apply approved international accounting standards, unless something else is required under legislation or another statute, or applies by virtue of these regulations and general guidelines.

The following clarification is provided for the following standards:

IAS 33 Earnings per share. This standard only needs to be applied by undertakings encompassed by the scope of the standard.

IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts. An insurance undertaking that is applying the temporary exemption in IFRS 4 from applying IFRS 9 should during this period apply the corresponding provisions in IAS 39, instead of what is stated in respect of IFRS 9 in these regulations and general guidelines and in RFR 2 Accounting for Legal Entities. The temporary exemption is granted pursuant to points 20A–20K of IFRS 4.

International accounting standards that are not approved may be applied to the extent they do not conflict with approved standards, legislation, other statutes or these regulations and general guidelines.

2. All undertakings should apply the recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board, unless otherwise regulated by legislation, other statutes or these regulations and general guidelines.

Statements from the Swedish Financial Reporting Board should be applied in the same manner as RFR 2, unless otherwise regulated by legislation, other statutes or these regulations and general guidelines.

3. In addition to that which is set out in point 2, international accounting standards are applied with the following limitations on the basis of the Annual Accounts at Insurance Undertakings Act (1995:1560):

a) Undertakings are not reported as parent companies and subsidiaries if there is no participating interest. See Chapter 1, section 3 of the Annual Accounts at Insurance Undertakings Act and Chapter 1, section 4 of the Annual Accounts Act (1995:1554). If an undertaking does not hold participation interest, but still has a control of another undertaking, the first undertaking should provide supplementary disclosures in order to give a fair presentation. See Chapter 2, section 2 of the Annual Accounts at Insurance Undertakings Act and Chapter 2, section 3 of the Annual Accounts Act. In such a case the other undertaking should state which undertaking has a control without participation interest and how the control can be exerted.

b) The recognition of an instrument or its parts as a liability or equity in accordance with the economic implications of the conditions is not applied by the issuer to the extent the instrument refers to what shall be classified as equity in accordance with legislation or other statutes. See Chapter 3, section 4 of the Annual Accounts at Insurance Undertakings Act and Chapter 3, sections 10a and 10b of the Annual Accounts Act. The issuer should provide disclosures about the classification in accordance with the economic implications in a note.

c) Investments for which policyholders bear the risk shall, in accordance with the Annual Accounts at Insurance Undertakings Act, always be measured at fair value. See Chapter 4, section 2 of the same act.

d) Deferred acquisition costs for insurance contracts, in accordance with the Annual Accounts at Insurance Companies Act and under certain conditions, be recognised as an asset. See Chapter 4, section 8 of the same act.

e) Impairment losses that have been done before the Annual Accounts at Insurance Undertakings Act entered into force may not be reversed. See point 5 of the transitional provisions for the implementation of the Annual Accounts Act. Disclosures that an impairment loss has not been reversed for this reason and an assessment of the effect on the undertaking's financial position and earnings should be provided in a note.

f) IFRS 8 Operating Segments does not need to be applied to the annual accounts, irrespective of whether or not the undertaking prepares consolidated accounts. For insurance undertakings and institutions for occupational retirement provision whose business covers more than one line of insurance

there are instead provisions concerning profit and loss attribution in Chapter 2, section 1 and Chapter 6, section 3 of the Annual Accounts at Insurance Undertakings Act and Chapter 6, section 3 of these regulations and general guidelines.

g) Disclosures concerning material risks and uncertainties for which the undertaking is responsible shall be disclosed in the statutory administration report in accordance with Chapter 6, section 1 of the Annual Accounts at Insurance Undertakings Act. These disclosures shall also include disclosures that should be provided in accordance with IFRS 4 concerning the nature and scope of risks arising from insurance contracts. In accordance with IFRS 4, these disclosures shall be provided in a note. The disclosures may be provided in the statutory administration report if a note contains a reference to the location of this information.

h) Disclosures concerning equity in accordance with Chapter 3, section 4 of the Annual Accounts at Insurance Undertakings Act can be provided in a note, a balance sheet, a statement of changes in equity or a statement that specifies other comprehensive income. If a disclosure is only provided in a statement of changes in equity or a statement that specifies other comprehensive income, a note should be provided that refers to the statement.

i) An unlisted insurance undertaking or an unlisted institution for occupational retirement provision does not need to prepare a cash flow statement, cf. IAS 1 Presentation of Financial Statements.

4. In addition to that which applies by virtue of points 2 and 3, international accounting standards, the recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board and statements from the Swedish Financial Reporting Board are applied with the following adjustments:

a) Spot purchases and sales should be recognised on the trade date of transaction even if this is not required by law. With regard to transactions on the Swedish market, spot purchases and spot sales mean contracts with delivery within two business days on the money and bond market, equity market, commodities market and foreign exchange market.

b) Insurance undertakings and institutions for occupational retirement provision may remeasure Investment Assets (C) that are not financial instruments at fair value by virtue of special provisions in the Annual Accounts at Insurance Undertakings Act. Land and Buildings (C.1) may therefore be measured at fair value if all assets in the item are measured in the same manner. See Chapter 4, section 5 of the same act. Owner-occupied property may, as an exception from international accounting standards, be recognised and measured in the same way as investment property. If this exception is utilised, disclosures concerning an alternative measurement based on cost in accordance with Chapter 4, section 7 of the same act should be provided broken down into owner-occupied property and investment property.

c) That which is set out with regard to retained earnings in international accounting standards or the Swedish Financial Reporting Board's recommendations should instead refer to the consolidation reserve in life insurance undertakings and institutions for occupational retirement provision that are not permitted to issue dividends. See Chapter 3, section 4 of the Annual Accounts at Insurance Undertakings Act.

d) Financial instruments held for trading in accordance with IFRS 9 Financial Instruments should be reported as held for trading purposes in accordance with the Annual Accounts Act.

e) An undertaking should not apply point 2 regarding IFRS 9 in RFR 2 Accounting for Legal Entities.

f) An undertaking may apply the easement regulations in IFRS 1 First Time Adoption of International Financial Reporting Standards insofar as this application is in line with point 2 regarding IFRS 1 in RFR 2 Accounting for Legal Entities.

g) Undertakings that are applying the exemption from IAS 19 Employee Benefits in RFR 2 Accounting for Legal Entities and are recognising defined-benefit pension schemes in accordance with the principles stated therein may also recognise that the interest portion of pension costs for the year as an operating expense in accordance with Chapter 3, section 9.

Irrespective of that which applies by virtue of approved international accounting standards or RFR 2, neither IAS 19 nor point 1 regarding IAS 19 in RFR 2 need to be applied to insurance undertakings' and insurance institutions for occupational retirement provision's insurance contracts that relate to post-employment benefits for their own employees. cf. IFRS 4, point 4b, IFRS 7, point 3b, IAS 32, point 4b and IAS 9, point 2.1.c. If this exemption is utilised, the contracts are instead recognised in accordance with the provisions concerning insurance contracts or, where applicable, the provisions concerning investment or service contracts.

h) An undertaking should not apply point 1 regarding IAS 32 in RFR 2 Accounting for Legal Entities with regard to classification of a financial instrument as a liability or equity. Point 3b should be applied instead.

5. An unlisted insurance undertaking or an unlisted institution for occupational retirement provision whose balance sheet total for the two most recent financial years does not exceed 1,000 price base amounts in accordance with Chapter 2, section 7 of the Social Insurance Code (2010:110) only needs to provide disclosures in accordance with the following approved international accounting standards:

- IFRS 4 Insurance Contracts,
- IFRS 7 Financial Instruments: Disclosures,
- IFRS 13 Fair Value Measurement,
- IAS 1 Presentation of Financial Statements, in the section on disclosures concerning capital, and
- IAS 40 Investment Property, with the addition set out in point 3 with regard to IAS 40 in RFR 2 Accounting for Legal Entities.

The provisions set out in the first paragraph should not be applied if the undertaking

- prepares or is included in consolidated financial statements,
- has an international connection,
- is a life insurance undertaking conducting business related to occupational pension insurance in accordance with point 2 in the transitional provisions to the Act (2015:700) amending the Insurance Business Act (2010:2043), or
- is an institution for occupational retirement provision.

The undertaking should specify in its description of the accounting policies applied whether it has applied these provisions.

In the second paragraph, *an international connection* means that the undertaking

- conducts cross-border operations or has a foreign branch,
- is included in the same group as at least one foreign financial undertaking (an insurance undertaking, an institution for occupational retirement provision, a credit institution or securities company), or
- conducts business related to non-life insurance, reinsurance of non-life insurance or business that is conducted in institutions for occupational retirement provision and is conducted from fixed establishments by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act (1999:1078).

Irrespective of the first paragraph, branches of a foreign undertaking do not need to provide any disclosures in accordance with approved international accounting standards or RFR 2 Accounting for Legal Entities.

The exemption in the fifth paragraph may also be applied to business that relates to non-life insurance, reinsurance of non-life insurance or business that is conducted in institutions for occupational retirement provision and is conducted from fixed establishments by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act.

Chapter 7

Consolidated accounts according to international financial reporting standards

Section 2 An insurance undertaking or an institution for occupational retirement provision that is a parent undertaking and prepares consolidated accounts in accordance with approved international accounting standards, regardless of whether the undertaking is listed or unlisted shall apply the following provisions in these regulations when preparing the consolidated accounts, in addition to that set out in Chapter 7, sections 5 and 6 of the Annual Accounts at Insurance Undertakings Act (1995:1560):

- a) Chapter 5, sections 2 and 3 concerning investment assets for conditional bonuses,
- b) Chapter 5, sections 5 and 6 concerning equity and conditional bonuses,
- c) Chapter 5, section 14 concerning remuneration and benefits for management,
- d) Chapter 6, section 1 concerning the statutory administration report, in which the first paragraph shall be applied insofar that it refers to the following regulations and general guidelines in Appendix 5:
 - section 1 concerning disclosures about the business,
 - section 3 concerning the consequences of new accounting standards to the application of business regulations, and

– the general guidelines in section 4 on disclosures about revaluation surplus in unit-linked insurance business, and

e) Chapter 6, section 2 on separate disclosures in the statutory management report.

The provisions set out in the first paragraph also apply to a financial holding undertaking as referred to in Chapter 1, section 1, third paragraph of the Annual Accounts at Insurance Undertakings Act that prepares consolidated accounts in accordance with approved international accounting standards.

General guidelines

Disclosures concerning equity for the group in accordance with Chapter 7, section 5, first paragraph, point 4b of the Annual Accounts at Insurance Undertakings Act can be provided in a note, a consolidated balance sheet, a statement of changes in equity, or a statement that specifies other comprehensive income. If the disclosures are only provided in a statement of changes in equity or a statement that specifies other comprehensive income, a note should be provided that refers to the statement.

Recommendation RFR 1 of the Swedish Financial Reporting Board, Supplementary Accounting Rules for Groups, and a specification of restricted and non-restricted equity in accordance with Chapter 3, section 4 of the Annual Accounts at Insurance Undertakings Act, should be applied. The Board's recommendation RFR 1 is applied with the divergences and addenda that apply by virtue of this section and the provisions of the Annual Accounts for Insurance Undertakings Act (see Chapter 7, section 5 of the same Act).

The statements from the Swedish Financial Reporting Board that are set out in point 2 in the general guidelines for the heading Chapter 2 of these regulations should be applied in the same way as RFR 1.

These clarifications are provided for the following standards:

a) IFRS 8 Operating Segments. This standard only needs to be applied for the consolidated accounts of an undertaking that is covered by the scope of the standard.

b) IAS 33 Earnings per Share. This standard only needs to be applied for the consolidated accounts of an undertaking that is covered by the scope of the standard.

The general guideline to section 41 in Appendix 3 regarding untaxed reserves in the consolidated balance sheet should be applied in the consolidated accounts.

Consolidated accounts according to Chapter 7, sections 1–4 of the Annual Accounts at Insurance Undertakings Act

Section 4 Chapter 7 of the Annual Accounts at Insurance Undertakings Act (1995:1560) states that an unlisted insurance undertaking or institution for occupational retirement provision that is a parent company or a financial holding company as referred to in Chapter 1, section 1, third paragraph of the Annual Accounts at Insurance Undertakings Act and that does not prepare consolidated accounts in accordance with approved international accounting standards shall

prepare consolidated accounts in accordance with Chapter 7, sections 1–4 of the same Act.

General guidelines

Disclosures concerning equity for the group in accordance with Chapter 7, section 4, first paragraph, point 2 of the Annual Accounts at Insurance Undertakings Act can be provided in a note, a consolidated balance sheet, a statement of changes in equity, or a statement that specifies other comprehensive income. If the disclosures are only provided in a statement of changes in equity or a statement that specifies other comprehensive income, a note should be provided that refers to the statement.

Section 5 An undertaking as referred to in section 4 shall apply the following provisions in these regulations in the consolidated accounts:

- a) Chapter 2, sections 1 and 2 concerning repurchase transactions and acquired insurance portfolios,
- b) Chapter 3 concerning balance sheets and income statements,
- c) Chapter 4, sections 1–16 concerning measurement rules,
- d) Chapter 5 concerning notes, etc., and
- e) Section 2, first paragraph, points d and e concerning statutory administration reports.

General guidelines

The undertaking should apply in the consolidated accounts approved international accounting standards that are used in the annual report of the parent company or in the annual report in subsidiaries that are included in the consolidated accounts. This applies unless something else is required under legislation or another statute, or applies by virtue of these regulations and general guidelines.

These clarifications are provided for the following standards:

- a) IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements should be applied in the consolidated accounts to holdings with participations in the parts that are in line with Chapter 7, sections 1–4 §§ of the Annual Accounts at Insurance Undertakings Act (1995:1560).
- b) IFRS 16 Leases may be applied in the consolidated accounts even if the standard is not applied in the annual report.
- c) IAS 19 Employee Benefits should be applied in the consolidated accounts regardless of whether the standard is applied in the annual report. Even statements from the Swedish Financial Reporting Board related to IAS 19 should be applied. However, this does not apply to insurance undertakings' and institutions for occupational retirement provisions' insurance contracts that relate to post-employment benefits for their own employees.

d) IAS 27 Separate Financial Statement should not be applied in the consolidated accounts.

Chapter 8

General guidelines

Unlisted undertakings – interim reports for individual undertakings

1. An unlisted insurance undertaking or an unlisted institution for occupational retirement provision whose balance sheet total, according to the adopted balance sheet for the previous financial year, exceeds SEK 1 billion should issue an interim report at least once during a financial year that encompasses more than ten months. The interim report should be issued regardless of whether the undertaking has chosen to apply approved international accounting standards or not when preparing consolidated accounts. The report should encompass a period of at least half and no more than two-thirds of the financial year.
2. An undertaking referred to in point 1 should apply Chapter 9 of the Annual Accounts Act (1995:1554) on interim reports with the exception of section 1, first and second paragraphs, and section 2.
3. An undertaking referred to in point 1 should apply the provisions set out in Chapters 2–4 even with regard to interim reports for a legal entity. The undertaking does not need to provide information according to IAS 34 Interim Financial Reporting, for the legal entity.
4. A parent company referred to in point 1, and which in turn is a subsidiary to another undertaking, does not need to provide disclosures concerning the group provided that
 - the undertaking, in accordance with Chapter 7, section 3 of the Annual Accounts at Insurance Undertakings Act (1995:1560), has not prepared consolidated accounts for the previous financial year,
 - the parent company whose consolidated accounts have been submitted to the registration authority in accordance with Chapter 7, section 2 of the Annual Accounts Act has prepared an interim report that covers the same reporting period as the undertaking's interim report,
 - the parent company's interim report contains equivalent information that also encompasses the group, and
 - the undertaking, in its own interim report, provides details of the parent undertaking's name, corporate identity number or, where relevant, personal identity number and registered office.
5. An undertaking referred to in point 1 should submit disclosures concerning remuneration and benefits for management if such remuneration and benefits have changed to a not insignificant extent during the interim period.
6. An undertaking referred to in point 1 should provide general information in accordance with section 3 of Appendix 5 on the consequences of the new accounting standards to the application of business regulations in interim reports.
7. An undertaking referred to in point 1 should provide details of their solvency capital and important key performance indicators in accordance with

the general guidelines to Chapter 6, section 2. Solvency-related data should be calculated in accordance with the general guidelines to Chapter 6, section 3. Furthermore, the undertaking should specify material changes during the year in revaluation surpluses for investment assets.

Unlisted undertakings – interim reports for groups

8. By virtue of Chapter 9, section 1 of the Annual Accounts Act, a financial holding company according to Chapter 1, section 1, third paragraph of the Annual Accounts at Insurance Undertakings Act shall provide an interim report. An undertaking referred to in point 1 that is a parent company should provide an interim report for the group in accordance with that stated in the point.

9. An unlisted undertaking as referred to in Chapter 7, section 2 should apply the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements from the Swedish Financial Reporting Board when preparing interim reports for the group.

10. An unlisted undertaking as referred to in Chapter 7, section 2 should apply IAS 34 Interim Financial Reporting in the consolidated accounts when preparing an interim report for the group.

11. In addition to points 9 and 10, an unlisted undertaking as referred to in Chapter 7, section 2 should only apply the following provisions of this chapter in the interim report for the group.

– Point 5 concerning disclosures about remuneration and benefits for management that have changed to a not insignificant extent during the interim period.

– Point 6 concerning general disclosures about the impact of new accounting standards on the application of business regulations.

– Point 7 concerning solvency capital, important key performance indicators and solvency-related information, whereby Chapter 7, section 3, point 2 and the general guidelines to the specified section may be taken into account.

12. An undertaking as referred to in Chapter 7, section 4 should apply the following provisions when preparing an interim report for the group:

– Chapter 9, section 1, third paragraph, and sections 3 and 4 of the Annual Accounts Act concerning the form, content and comparative figures of the interim report.

– Chapter 7, sections 4 and 5 of these regulations concerning annual accounts pursuant to Chapter 7, sections 1–4 of the Annual Accounts at Insurance Undertakings Act.

– Point 5 concerning disclosures about remuneration and benefits for management that have changed to a not insignificant extent during the interim period.

– Point 7 concerning solvency capital, important key performance indicators and solvency-related information, whereby Chapter 7, section 3, point 2 and the general guidelines to the specified section may be taken into account.

Listed undertakings – interim reports for groups

13. By virtue of Chapter 9 of the Annual Accounts at Insurance Undertakings Act, a listed undertaking shall provide an interim report.

14. A listed undertaking as referred to in Chapter 7, section 2 should apply the following general guidelines in the interim report:

- Point 5 concerning disclosures about remuneration and benefits for management that have changed to a not insignificant extent during the interim period.
- Point 6 concerning general disclosures about the impact of new accounting standards on the application of business regulations.
- Point 7 concerning solvency capital, important key performance indicators and solvency-related information, whereby Chapter 7, section 3, point 2 and the general guidelines to the section may be taken into account.

These regulations and general guidelines shall enter into force on 01 December 2020 and apply to the consolidated accounts prepared for the financial year ending 31 December 2020.

ERIK THEDÉEN

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