

Finansinspektionen's Regulatory Code

Publisher: Finansinspektionen, Sweden, www.fi.se
ISSN 1102-7460



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Finansinspektionen's regulations and general guidelines regarding information about insurance and occupational pensions;

FFFS 2011:39

Published
17 June 2011

decided on 13 June 2011.

Finansinspektionen prescribes¹ the following pursuant to Chapter 7, sections 2, 5 and 6 of the Insurance Business Ordinance (2011:257) and provides general guidelines.

Chapter 1 Scope

Section 1 These regulations and general guidelines contain provisions regarding

- information that shall be provided to any party invited to take out insurance,
- information that shall be provided to a policyholder and any party entitled to payment during the term of the insurance contract,
- information that shall be provided to any party entitled to payment during the payment period,
- information regarding occupational pensions that shall be provided to parties entitled to payment and parties entitled to information,
- key investor documents for individual life insurance, and
- calculation of the geometric mean.

Section 2 These regulations apply to

1. insurance undertakings and foreign insurers with operations in Sweden that provide direct insurance,
2. pension funds as referred to in section 9a, first paragraph of the Safeguarding of Pension Commitments, etc. Act (1967:531), and
3. foreign institutions for occupational retirement provision as referred to in Chapter 1, section 5, point 3 of the Act (1998:293) on Undertakings of Foreign Insurers and Institutions for Occupational Retirement Provision in Sweden.

Pension funds and foreign institutions for occupational retirement provision shall apply only Chapter 2, section 1 and *Appendix 1*.

¹ Cf. Council Directive 92/49/EEC of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC (EGT no. L 228, 11.8.1992, p. 1, Celex 392L0049), Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance (EGT L 345, 19.12.2002, p. 1, Celex 32002L0083) and Directive 2003/41/EC of the European Parliament and the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision (EGT L 235, 23.09.2003, p. 10, Celex 32003L0041).

For sickness and accident insurance provided as a supplement to life insurance, *Appendix 2* shall not be applied.

Section 3 For life insurance and occupational pension, information shall be provided to the person entitled to payment in cases where this person is a natural person whose habitual residence was in Sweden when the agreement was entered into, or where the policyholder is a legal person and the operating site to which the contract relates was situated in Sweden at the time the contract was entered into.

Section 4 With regard to insurances based on collective bargaining agreements resulting from an agreement between an employers' organisation and a central employees' organisation, the parties to the contract shall agree upon which information shall be provided, how this information shall be provided, and by whom it shall be provided. With regard to other insurances based on collective bargaining agreements or group insurances, insurance undertakings may agree with the parties to the collective agreement or others that may be considered representatives of the policyholders which information shall be provided and how and by whom it shall be provided.

Exceptions

Section 5 Finansinspektionen decides on exceptions to these regulations where special grounds exist.

Definitions

Section 6 In these regulations and general guidelines, the following definitions apply:

allocated bonus: a bonus that is preliminarily distributed,

inheritance profit: pension income or insurance capital due to the decease of an insured with an insurance that does not have full repayment cover or other survivor benefits which therefore go to other similar contracts,

depository insurance: traditional insurance that normally does not have guaranteed insurance amounts and for which the policyholder or the insured decides the saving profile by selecting one or more of the investment options offered by the insurance undertaking,

party entitled to payment: a party entitled to payment as a result of the insurance, e.g. a policyholder, the insured or members and beneficiaries,

transfer of an insurance's value: given certain conditions, transfer of insurance capital to another contract, from one insurance undertaking to another or from one type of management to another, pursuant to the terms and conditions of the insurance contract,

paid-up policies: occupational pension insurance or private pension insurance where the agreed premium payments were prematurely terminated and the future pension is based on the premiums already paid,

guaranteed bonuses: bonuses that are guaranteed in nominal or real amounts by terms and conditions in the insurance contract or a unilateral commitment from the insurance undertaking,

geometric mean: n th root of the product of the n positive numbers whose mean shall be calculated. In financial contexts, the numbers whose mean shall be calculated are normally written as

$$1 + \frac{r}{100}$$

where r is an effective yield or an interest rate expressed in per cent. This mean is a more accurate calculation of average yield or average interest rate than a normal arithmetic mean,

party entitled to information: an employee or survivor of an employee whose pension is safeguarded by a pension fund or a foreign institution for occupational retirement provision as referred to in Chapter 1, section 5, point 3 of the Act on Undertakings of Foreign Insurers and Institutions for Occupational Retirement Provision in Sweden,

insurance based on collective bargaining agreements: personal insurance or non-life insurance that is

1. taken out by employers to give insurance cover to employees,
2. underwritten pursuant to a collective bargaining agreement specified in the insurance terms and conditions and that was agreed between an employers' organisation or an individual employer and an employees' organisation, and
3. underwritten by an insurance undertaking or a foreign insurer in accordance with the collective bargaining agreement,

solvency ratio: the ratio between the available and required solvency margin in accordance with Chapter 7 of the Insurance Business Act (2010:2043).

occupational pension: a pension for an employee or survivor of an employee which is provided by the employer and based on a collective bargaining agreement or individual agreements between the employee and the employer,

occupational pension insurance: occupational pension in the form of such an insurance as referred to in Chapter 1, section 8 of the Insurance Business Act.

conditional bonus: agreed or unilaterally guaranteed bonus which is conditional upon changes in value and yield on assets or upon a certain actuarial result in respect to which the policyholders or other parties entitled to payment bear the risk, and

surrender: disbursement to the policyholder of an amount that corresponds in full or in part to the value of the insurance before the end of the agreed insurance term.

Chapter 2 About information in general

Section 1 An insurance undertaking, a foreign insurer, a pension fund or a foreign institution for occupational retirement provision shall provide information to the policyholder and parties entitled to payment regarding

1. the name, legal form of business entity and complete address of the head office or, where applicable, the address of the agent or branch which has provided the insurance, and
2. the name and address of the foreign insurer's representative for third party motor insurance in Sweden where the insurance is third party motor insurance and the insurer does not have a branch in the country.

For operations with large risks in non-life insurance such as those set out in Chapter 3, section 16 of the Insurance Business Act (2010:2043), only the contract or other documents that provide insurance cover and the insurance application to the extent that it is binding for the application need to contain the information referred to in point 1.

General guidelines

Information other than that referred to in the Insurance Contracts Act (2005:104) should also be provided in a document or other legible, durable form to which the recipient has access. However, this does not apply to the information referred to in Chapter 5, section 2.

Section 2 The information shall be designed such that it facilitates the decisions that a party intending to take out an insurance or a policyholder may need to make.

General guidelines

It should be simple to gain an overview of the insurance contract's most important characteristics and limitations.

For savings-type pension insurance and capital insurance, the information should clearly state the extent to which the level of the pension amount, insurance amount and any survivor benefits is guaranteed.

For life insurance products characterised by saving, the most important pre-purchase information should be provided in a key investor document. The key investor document should follow the standard layout, using the headings set out in *Appendix 3*, and in general be designed in such a manner as to make it easy for a consumer to compare similar products. If the average yield is calculated as the geometric mean, the comments about the method set out in *Appendix 4* should be taken into account.

Chapter 3 Information before an insurance is underwritten

Section 1 An insurance undertaking or a foreign insurer shall provide information about the following before an insurance contract is underwritten:

1. information pursuant to Chapter 2, section 1, and
2. the law applicable to the contract, if not Swedish law. Where the parties are free to choose the law, the law of the state that the insurance undertaking or the foreign insurer proposes to choose shall be specified.

For life insurance contracts, information pursuant to Chapter 4, section 2 shall also be provided.

The provision in the first paragraph, point 2 does not apply for non-life insurance if the policyholder is a legal person.

Chapter 4 Information during the insurance term and payment period

Information about amendments

Section 1 An insurance undertaking or a foreign insurer shall provide information during the insurance term if the following has been or will be amended

- the name of the insurance undertaking or foreign insurer
- its legal form,
- the address of the head office, and
- where applicable, the address of the agent or branch concluding the insurance contract.

Complaints handling

Section 2 An insurance undertaking or a foreign insurer shall provide information about how complaints are handled when

1. a decision regarding payment is made,
2. a dispute arises, or
3. a policyholder, the insured or a party entitled to payment is dissatisfied for any reason.

The information shall include

1. how the insurance undertaking or foreign insurer handles complaints and disputes regarding the insurance contract,
2. the procedures in place at the insurance undertaking or the foreign insurer to handle complaints,
3. a notification that decisions can be re-examined by the insurance undertaking, the foreign insurer or an industry supervisory body.
4. a notification about the possibility to have a dispute examined by the Swedish National Board for Consumer Complaints and by courts of general jurisdiction, and
5. a reference to the Swedish Consumers Insurance Bureau or another appropriate complaints advisor.

The provisions in this section do not apply to non-life insurance if the policyholder, the insured or the party entitled to payment is a legal person.

Chapter 5 Special information regarding life insurance and occupational pensions

Section 1 Information from life insurance undertakings shall contain the information set forth in *Appendix 2*.

Information about collective consolidation

Section 2 A life insurance undertaking that has established a consolidation fund or the equivalent, for example a conditional bonus that has been collectively distributed but not yet individually distributed, shall publish information about the size of the collective consolidation so that this information is easily accessible for policyholders.

The information about the collective consolidation shall refer to the last day of the month and shall be published within two months in such a manner that it is easily accessible, e.g. on the life insurance undertaking's website.

General guidelines

As a basis for the decision on collective consolidation, the life insurance undertaking should follow applicable instructions set out in Finansinspektionen's guidelines on collective consolidation.

Information about occupational pensions

Section 3 An insurance undertaking or a foreign insurer, with respect to occupational pensions, shall provide parties entitled to payment with information on an annual basis about current pension benefits, risk cover and survivor benefits.

1. These regulations and general guidelines shall enter into force on 1 April 2012, upon which Finansinspektionen's regulations (FFFS 2011:35) regarding information for life insurance and occupational pensions and Finansinspektionen's regulations (FFFS 2011:36) regarding information for non-life insurance shall be repealed.

2. With regard to mutual benefit societies which pursuant to section 7 of the Act (2010:2044) on the Implementation of the Insurance Business Act (2010:2043) may continue to conduct business or are in liquidation, Finansinspektionen's regulations (FFFS 2003:7) regarding information for life insurance and occupational pensions shall apply.

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Appendix 1 – Information regarding occupational pension from a pension fund or a foreign institution for occupational retirement provision

Appendix 2 – Information regarding life insurance and occupational pension insurance

Appendix 3 – Contents of the key investor document

Appendix 4 – Calculation of the geometric mean

*Appendix 1***Information regarding occupational pension from a pension fund or a foreign institution for occupational retirement provision**

Pension funds and foreign institutions for occupational retirement provision shall provide members or beneficiaries whose pension is safeguarded by the fund or institution with information pursuant to the following:

1. Information regarding the fund or institution and its operations

A pension fund or foreign institution for occupational retirement provision shall observe the following:

1. Information about the fund or institution

Upon request, members and beneficiaries shall receive a copy of the most recent annual report.

2. Information about pension schemes

If the pension fund or foreign institution for occupational retirement provision safeguards more than one pension scheme, members and beneficiaries shall upon request receive the annual report for the pension scheme to which they belong, if such information is available.

2. Information regarding investment guidelines

A pension fund or foreign institution for occupational retirement provision, upon request by members and beneficiaries or their representatives, shall provide information about investment guidelines prepared pursuant to Finansinspektionen's regulations and general guidelines (FFFS 2011:16) regarding investment guidelines and consequence analyses for institutions conducting occupational retirement provision. This information shall include

- a) a general description of the assets related to the occupational pension, and
- b) information regarding yield targets.

3. Complaints pertaining to information

In order to handle complaints that parties entitled to information may have regarding received information, a pension fund or foreign institution for occupational retirement provision shall be prepared as needed to provide answers or be able to refer to someone who can provide answers.

Appendix 2

Information about life insurance and occupational pension insurance

The appendix is divided into the following sections:

- A. Information before an insurance contract is concluded
- B. Information about the insurance's value in conjunction with a transfer
- C. Information during the insurance term but prior to payment
- C. Information during the payment period
- E. Additional information concerning occupational pension insurance

A. Information before an insurance contract is concluded

Before an insurance contract is concluded an insurance undertaking shall provide information pursuant to points 1–20 to the party that has been offered the insurance.

With regard to life insurances only applicable upon death and concluded for a period of not more than five years, or for a premium calculated and determined for not more than five years at a time, however, points 10–17 shall not apply.

With regard to unit-linked insurances or depository insurances, points 11–17 shall not apply. If, pursuant to such an insurance contract, it is possible that insurance capital cannot be paid due to the absence of a party entitled to payment, only points 1, 7 and 10 apply.

Insurance contracts

An insurance undertaking shall provide information that includes:

1. The term of the insurance contract.
2. Where applicable, how the insurance can be surrendered or changed to a paid-up policy, or how its value can be transferred.
3. The principles for how the value of an insurance is decided if it is surrendered or changed to a paid-up policy, and how the transferable amount is determined if the value of the insurance shall be transferred.
4. In what respects and under which circumstances the insurance undertaking can change the terms and conditions of the contract during the insurance term, particularly with regard to benefits, fees and other charges.
5. The policyholder's right to terminate the insurance contract and how this is done.
6. The main features of the tax rules which apply to the insurance.

Premiums

7. The terms and conditions which apply to premium payments.
8. The proportion of the premiums paid that relate to the main benefit and, where appropriate, supplementary benefits.

Fees and the distribution of profits

9. The principles for how the insurance undertaking's operational and risk expenses shall be covered and how the profit can be distributed.

10. The principles for how the profits shall be allocated between both policyholders and other parties entitled to payment, and what procedures shall be followed when the insurance capital cannot be paid out due to the absence of a party entitled to payment.

11. The principles for how the profit may be used to cover losses.

12. The factors or conditions on which conditional bonus is dependent.

13. The principles for calculating bonuses added to contractual payments.

14. The insurance undertaking's policy on collective consolidation and for the repossession of bonuses (reallocation) where an insurance contract has the allocated bonus option.

15. Information clearly stating which form of bonus or profit the insurance contract may benefit from.

Financial information concerning the insurance undertaking

16. General information about long-term targets for investments that the insurance undertaking has established with an approximate division into

- a) shares and participating interests,
- b) properties and mortgages,
- c) fixed-interest assets, and
- d) other investments.

17. The long-term targets shall be divided into:

- a) total assets,
- b) the assets covering liabilities for conditional bonuses, and
- c) the assets covering liabilities for guaranteed bonuses and other insurance commitments.

For information about the insurance undertaking's historical returns on capital and costs for asset management, industry-wide key figures and measurement methods should be used, if such exist. References to yield history in *Appendix 3*, however, should also be taken into account.

Special information for insurance where the policyholder chooses funds for investing premiums

18. How to change funds and the amount of the fees charged when changing funds.

19. The fees charged by the insurance undertaking to cover any operating expenses and tax, specifying the distribution in terms of

- a) deductions from the premium prior to purchase of units,
- b) any difference between the purchase and sale price of units, and
- c) deductions from the fund's or units' value.

20. A general description of the selection of funds and, upon request by the party being offered the insurance, also information about an individual fund's primary focus.

References to information about funds in *Appendix 3* should also be taken into account.

B. Information about the insurance's value in conjunction with a transfer

When a policyholder wants to transfer the value of the insurance to another insurance undertaking, the information in points a or b shall be provided. This also applies where an employee, who is equivalent to a policyholder, is entitled to transfer the value of an occupational pension insurance and would like to utilise this right.

a) An insurance undertaking *from* which the transfer is made shall provide the following information to the policyholder:

1. Information that the previous insurance contract is terminated and that the transferred value will be placed in a new insurance pursuant to a new contract.
2. Where appropriate, the insurance undertaking shall provide information stating
 - that the insurance belongs to a special bonus group since the insurance applies with a transfer option,
 - the value that will be transferred, the fees that will be charged and the adjustments that will be made to the existing insurance value,
 - that the contractual insurance amount and the current risk cover, including the waiver of premium contained in current insurance contracts, may be changed in the new insurance,
 - that, in conjunction with unit-linked insurance, the possibility to choose the investment is changed,
 - the date upon which the insurance undertaking's responsibility terminates.

b) An insurance undertaking *to* which the transfer is made, where applicable, shall provide the following information to the policyholder:

1. The insurance's value broken down into contractual benefits and other. No such breakdown is required where the entire value is deemed as a premium for a commitment.
2. All information which shall be provided before an insurance contract is concluded pursuant to these regulations. This information does not need to be provided if the transfer was already agreed when the insurance contract was concluded.

C. Information during the insurance term but prior to payment

During the term of the insurance contract and up to payment, an insurance undertaking shall provide information to policyholders and parties entitled to payment which includes the following:

Changes

1. Information referred to in A 1-20 which is of major significance for the application of the contract and which is affected by a decided change in legislation, the insurance terms and conditions, the fund rules, or the insurance undertaking's policy regarding collective consolidation. Where the insurance undertaking makes a decision regarding reallocation of bonuses, information about this decision as well as expected effects of the reallocation shall be provided as soon as possible.

Annual information

On an annual basis, the insurance undertaking shall provide information about premiums paid and fees charged for the past period in accordance with the following:

2. Where appropriate, information about

- guaranteed bonuses that were paid or increased the insurance's value during the period,
- conditional bonuses that were paid or changed the insurance's value during the period,
- the insurance's guaranteed value at the beginning and end of the period, or about the guarantee's design, and
- that payment will begin within the next twelve months.

The information about guaranteed or conditional bonus may be replaced by information about the insurance capital at the beginning and end of the period.

3. Where information is provided about allocated bonus, notification that it is included in the insurance undertaking's risk capital and what this entails.

4. Amendments to the principles applied to the calculation of the amounts payable.

5. The payment amount, including any bonus, which would have been payable on death as per the closing date of the past period in cases where this payment deviates from the value of the insurance.

6. Fees that will be charged to the value in conjunction with any surrender or transfer of the value of the insurance.

7. Other fees charged during the period.

8. Other causes material to the change in the insurance's value during the year, such as

- returns allocated to the insurance or preliminarily distributed,
- fees for taxes the insurance undertaking deducted from the value of the insurance,

- risk premiums deducted by the insurance undertaking, and
- inheritance profit assigned to the insurance or preliminarily distributed,

9. In conjunction with the commencement of periodic payments, that the undertaking has utilised its right to change the terms and conditions of the insurance, for example with regard to fees and assumptions about longevity.

10. A reminder that the insurance may need to be reviewed in certain respects, for example beneficiaries, the need for survivor benefits and the choice of funds before the payment period of a unit-linked insurance contract begins.

D. Information during the payment period

During the payment period, an insurance undertaking shall provide the following information to policyholders and parties entitled to payment:

Changes

1. Information referred to in A 1-20 which is of material significance to the contract and which is affected by a decided change in legislation, the insurance terms and conditions, the fund rules, or the insurance undertaking's policy regarding collective consolidation. Where the insurance undertaking makes a decision regarding reallocation of bonuses, information about this decision as well as expected effects of the reallocation shall be provided as soon as possible.
2. Amendments to the principles or material changes to assumptions used to calculate bonuses to be added to contractual amounts during the payment period.

Annual information

The insurance undertaking shall annually provide information about the following:

3. Information for the period regarding
 - the current amount payable;
 - the returns assigned to the insurance or preliminarily distributed,
 - fees deducted with regard to taxes,
 - other fees that have been deducted, and
 - where applicable, information that the benefit payments will cease within the next twelve months.

E. Additional information about occupational pension insurance

An insurance undertaking conducting business related to occupational pension insurance shall observe the following when information is provided to members and beneficiaries.

1. Information about the insurance undertaking

Upon request, members and beneficiaries shall receive a copy of the most recent annual report.

2. Information about pension schemes

If the insurance undertaking safeguards more than one pension scheme, members and beneficiaries shall upon request receive the annual report for the pension scheme they belong to, if such information is available.

In conjunction with changes to the rules of a pension scheme, members and beneficiaries shall receive relevant information about the change within a reasonable time following the decision to make the change.

Members and beneficiaries shall receive adequate information regarding the benefits they are entitled to and the payment options that apply when pensions or other benefits become due.

Upon request, members and beneficiaries shall receive detailed and comprehensive information about

- a) how the pension benefits are determined when the full period of service has been earned with regards to a defined-benefit plan,
- b) the size of the pension benefits if employment is terminated, and
- c) terms and conditions for the transfer of pension rights if employment is terminated.

3. Information regarding investment guidelines

An insurance undertaking, upon request by members and beneficiaries or their representatives, shall provide information about investment guidelines prepared pursuant to Finansinspektionen's regulations and general guidelines (FFFS 2011:16) regarding investment guidelines and consequence analyses for institutions conducting occupational retirement provision. The information shall include

- a) a general description of the assets related to the occupational pension,
- b) information regarding yield targets, and
- c) information regarding risk levels in assets and commitments as a whole.

*Appendix 3***Contents of the key investor document**

The appendix is divided into the following sections:

1. Introduction
2. Savings and yield
3. Payment
4. Fees
5. Insurance cover
6. Terms and conditions for the transfer of savings or surrender
7. Transfer of savings to the insurance undertaking
8. Other information

An insurance undertaking and a foreign insurer should provide information in the form of a key investor document to the party being offered private individual life insurance of savings-type.

The key investor document should describe the characteristics of the product that can be of material significance for the consumer. The information should be concise, well organised and easily accessible. The key investor document should be structured in such a manner as to facilitate comparisons with other savings-type life insurance products. Therefore, the headings set out in this appendix should be used in the same order in the key investor document.

The terminology in Pensionsorden (glossary of pension terminology compiled by the Swedish social insurance authorities and the insurance industry) should be used in the key investor document. See www.minpension.se/Dokument/Pensionsorden.pdf (in Swedish).

The term “insurance undertaking” below also includes a foreign insurer.

It should be stated that the key investor document does not contain a full overview of the pre-purchase information. The key investor document should be updated on a yearly basis or when the information included in the key investor document has changed significantly.

A key investor document for savings-type life insurance should as a minimum contain the following information using the italicised headings in the same order:

1. Introduction*Product designation and insurer*

- a) Description of the product and the name of the insurance undertaking.

Target group

- b) A description of the product's target group.

The insurance undertaking's financial strength

- c) Information about the insurance undertaking's solvency ratio and an explanation that a solvency ratio of at least 100 per cent means that the undertaking fulfils the EU requirements for the capital buffer in relation to the scope and composition of

the operations. If the insurance undertaking has an official policy regarding its solvency ratio, this information should also be provided.

2. Savings and yield

Responsibility for investments

d) Information about whether the policyholder, the insured or the insurance undertaking decides how the insurance capital shall be invested, and thereby determines the level of financial risk.

A. Where the insurance undertaking invests the insurance capital:

Guarantee

e) Information regarding whether or not the product contains a guarantee.

Where there is a guarantee, the structure and scope of the guarantee should be clearly described. Where applicable, the guaranteed interest rate should be stated both before and after any fees and taxes that will be charged.

Surplus management

f) Information about whether the insurance undertaking distributes profits to owners or guarantors or is a mutually working undertaking. It should also describe how the surplus is distributed. A mutually working undertaking should describe the principles for the bonus distribution and state current information about bonus interest rates and degrees of collective consolidation.

Investment objective

g) Information about investment objectives and long-term investment goals for the product in question.

The investment objective should specify the distribution of the portfolio between shares and participations, property, interest-bearing assets and other assets. The actual distribution for the most recent half-year mark should also be stated.

Past performance

h) Information about the product's actual return.

Actual return refers here to the yield earned by the insurance capital, including any share of surplus and following deductions for all fees, including tax charges. The calculations should be made for an insurance that has the same terms and conditions as the offered product or is reasonably comparable to this product. The calculations should be based on a standard assumption that the premium payment will be made as a lump-sum premium totalling SEK 100,000. Where risk fees may arise such do not need to be taken into consideration in the calculations, but a comment regarding this should be included in the key investor document. Actual return should be calculated in the same manner for each year since the policy was taken out as if the policy was taken out ten years ago.

The actual return should be stated both as annual yields for each year and as an average effective yield since the policy was taken out, as if the insurance was taken out three, five and ten years ago, respectively, and under the assumption that the insured is still alive. If the insurance period is shorter than ten years, the period

should be appropriately adjusted. Where fees arise in conjunction with surrender or transfer, such should be mentioned.

It should also be possible to use other methods to fairly determine the actual annual return. The average effective annual return should then be calculated as a geometric mean. The method for calculating the geometric mean set out in *Appendix 4* should be used.

B. Where the consumer invests the capital:

Guarantee

i) Information that the product does not contain a guarantee, or if this is not the case, the form of the guarantee.

Assets in which the capital can be invested

j) Information about the types of assets in which the capital can be invested.

If the capital can be invested in funds, a general description of the fund selection should be provided.

3. Payment

k) Information about the age at which payment at the earliest and at the latest can begin. The shortest and longest payment period and information about whether the payment period can be changed should also be stated.

Information should also be provided stating that the insurance undertaking's lifespan assumptions affect the size of the paid amounts if the customer chooses life-long payment.

Where the insurance is life-long, an example should be given to show the monthly payments for a 65-year-old man and woman, as appropriate, with insurance capital totalling SEK 100,000.

4. Fees

l) Information about the total fees and costs charged to the insurance.

Information about how often the fees are charged and, where applicable, the basis on which they are calculated should be stated. Administrative fees should be specified, for example premium fees and other deposit fees, fixed fees and fees calculated as a percentage of the capital under management.

For unit-linked pension fund products – information about the highest and lowest TER (Total Expense Ratio, i.e. the fund's costs as a share of the fund assets) in the current selection of funds and the average TER based on actual volumes in the insurance undertaking.

If deposit or withdrawal fees may arise, these should be stated, as well as any performance-related fees. The cost of any management services should also be stated.

For traditional life insurance products – information about whether the costs for asset management are covered by the administrative fees or are charged to the customer's insurance capital. An approximate value of the asset management costs should be stated.

Tax rules for policyholders

m) Information about whether the product is classified as a P or K insurance and what this entails. Deduction rules should be stated and taxation in conjunction with payment should be described.

Example

n) An example should be provided for an insurance with a lump-sum premium of SEK 100,000 that states the total fees for the first year in SEK broken down into administrative fees, fees to cover fund and asset management costs and taxes.

5. Insurance cover

o) A description of the insurance cover included in the product and additional options. The description should clearly state the cost for any cover, for example via a special premium today or lower pension in the future. The description should also state if a health evaluation is needed for any of the insurance covers.

6. Terms and conditions for the transfer of savings or surrender

p) Information about any limitations to the possibility to transfer the savings. If a market value adjustment is applied, this should be stated. All fees associated with the transfer should be stated, for example administrative fees and maturity-based fees.

7. Transfer of savings to the insurance undertaking

q) Information about any fees charged when transferring savings to the insurance undertaking. If the product is a traditional life insurance, where applicable, the principles that serve as a basis for the portion of the transferred capital that will be guaranteed should be stated.

8. Other information

r) Information regarding

- that the purpose of the key investor document is to provide general information and facilitate comparisons,
- that the key investor document does not contain a full overview of the pre-purchase information,
- where the consumer can find terms and conditions and additional information about the product and the insurance undertaking,
- that the consumer can receive additional information from the Swedish Consumers Insurance Bureau,
- which supervisory authority supervises the insurance undertaking,
- that the Swedish Consumer Agency monitors compliance with the Marketing Act (2008:486), and
- the date the key investor document was published.

Appendix 4

Calculation of the geometric mean

Calculation of the average total yield or bonus interest rate using the geometric approach

The geometric approach is commonly used to calculate funds' average yield over a given period. Under this approach, average yield or accumulation of interest is calculated as an average effective interest rate, i.e. as an average annual interest rate in conjunction with payment in arrears.

In technical terms, the approach can be described with words as follows. The time-weighted mean of the yield or interest rate is calculated based on a time-weighted standard arithmetic mean for corresponding yield or interest rate intensities. The geometric mean is determined then by recalculating the average intensity to a standard effective yield or interest rate.

If the yields or interest rates for which the mean is calculated apply on the basis of the calendar year, the time-weighting is simple and each calendar year is given the same weight. However, if, for example, the bonus interest rates were applied in periods of varying length, expressed in months, they will be time-weighted when calculating the mean. A period of three months is time-weighted at 25 per cent of one year, while a period of twelve months receives a weight of 100 per cent, and so on.

If we assume five calendar year yields $T(1)$, $T(2)$, ..., $T(5)$, e.g. 5%, 6%, 10%, 4% and -1%, the corresponding intensities are $u(1)$, $u(2)$, ..., $u(5)$, where $u(i) = \log(1+T(i))$, with a base 10 logarithm. In our example, $\log 1.05$, $\log 1.06$, ..., $\log 1.2$. Calculate the arithmetic mean $u = [u(1)+u(2)+\dots+u(5)]$. The geometric mean is then $10^u - 1$. In our example, the arithmetic mean is 4.81 per cent while the geometric mean is 4.74 per cent. It is possible to prove that the geometric mean is never larger than the arithmetic mean and that they are the same if all inputs are the same.

The geometric mean is fair in the sense that an amount invested at the start of the five-year period has the same end value if it accumulates interest or grows:

- year for year with the five stated amounts, or
- year for year with the same amount, namely the geometric mean.

It follows that the accumulation of interest over the five years using the arithmetic mean results in an amount that is too large and misleading.

An example with varying subperiod lengths: Let the yields or interest rates be the same as in the previous example, but assign the subperiods lengths $t(1)$, $t(2)$, ..., $t(5)$, e.g. 11, 7, 6, 17 and 19 months (still a total of 60 months or five years). The weighted intensities are then given the time-weighted arithmetic mean $u = [11 \cdot u(1) + 7 \cdot u(2) + \dots + 19 \cdot u(5)]/60$. The geometric mean is, as previously, $10^u - 1$. The weighted geometric mean is 3.38 per cent while the corresponding weighted arithmetic mean is 3.43 per cent.

To calculate the geometric mean, G , when yield or interest rates are expressed as a per cent, we can use the following formulas:

$$G = 100(10^{UA} - 1)$$

$$UA = \frac{1}{L} \sum_{k=1}^n d_k \log\left(1 + \frac{r_k}{100}\right)$$

$$L = \sum_{k=1}^n d_k$$

d_k = length of the subperiod k

r_k = the yield or interest rate for the subperiod, k , expressed as effective yield or interest rate, in per cent.

The formula can also be written without logarithms:

$$G = 100 \left(\left(\prod_{k=1}^n \left(1 + \frac{r_k}{100} \right)^{d_k} \right)^{\frac{1}{L}} - 1 \right) = 100 \left(\left(\left(1 + \frac{r_1}{100} \right)^{d_1} \cdots \left(1 + \frac{r_n}{100} \right)^{d_n} \right)^{\frac{1}{L}} - 1 \right)$$