

Finansinspektionen's Regulatory Code

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Regulations

amending Finansinspektionen's regulations and general guidelines (FFFS 2011:27) regarding simplified annual reporting in insurance undertakings granted dispensation;

FFFS 2016:12

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decided on 15 February 2016.

Finansinspektionen prescribes pursuant to section 4, points 1 and 4 of the Annual Reports at Credit Institutions, Securities Companies and Insurance Undertakings Ordinance (1995:1600) in respect of Finansinspektionen's regulations and general guidelines (FFFS 2011:27) regarding simplified annual reporting in insurance undertakings granted dispensation

in part that Chapter 4, section 6, the section "Off-balance sheet items" in Appendix 1 and section 38 of Appendix 3 shall be repealed,

in part that the heading immediately preceding Chapter 4, section 6 and the heading immediately preceding section 38 of Appendix 3 shall be removed,

in part that Chapter 3, section 3, Chapter 4, sections 2 and 5, Chapter 5, section 1 and Chapter 6, section 1 shall have the following wording,

in part that C and AA in Appendix 1 shall have the following wording,

in part that sections 2, 4, 22 and 28 and the general guidelines for the heading "Content of the balance sheet items" in Appendix 3 shall have the following wording,

in part that the general guidelines for the heading "Content of the income statement items" in Appendix 4 shall have the following wording,

in part that the heading immediately preceding Chapter 4, section 5 and the title for Chapter 5 shall have the following wording, and

in part that two new sections, Chapter 4, sections 1a and 22a of Appendix 3 and a new heading immediately preceding Chapter 4, section 1a shall be inserted and have the following wording.

Chapter 3

Section 3 The provision set out in Chapter 3, section 2, second paragraph of Annual Reports at Insurance Undertakings Act (1995:1560) does not need to be applied. Items in the balance sheet or income statement whose amounts are negligible, with regard to the requirement of a fair presentation, may be merged with another appropriate item.

General guidelines

In accordance with Chapter 3, section 2, second paragraph of the Annual Reports at Insurance Undertakings Act, certain items must be included in the balance sheet and income statement even if the amount is negligible. This section grants exemption from the "ban on merging". The undertaking may

instead report the negligible amounts of such items in a closely related and appropriate item in the balance sheet and income statement, see also the general guidelines in *Appendices 3 and 4*.

Chapter 4

Expenditure for in-house development

Section 1a An insurance undertaking that reports expenditure for the undertaking's own development work as an intangible asset, pursuant to Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act, shall transfer the corresponding amount from equity to a development expenditure fund, see Chapter 4, section 2 of the Annual Accounts Act (1995:1554).

General guidelines

In mutual life insurance companies and life insurance associations that may not distribute profit, the transfer to a development expenditure fund shall be made from the consolidation fund or from another restricted fund.

Section 2 Financial instruments may be measured at cost (cost method) if all financial instruments are measured using this method. This applies instead of that set out in Chapter 4, section 2, point 12 of the Annual Reports at Insurance Undertakings Act (1995:1560).

Measurement of technical provisions

Section 5 Technical provisions shall be reported in accordance with Chapter 4, section 9 of the Annual Reports at Insurance Undertakings Act (1995:1560).

When reporting technical provisions, Chapter 4, sections 6–13 and 15 of Finansinspektionen's regulations and general guidelines (FFFS 2015:12) regarding annual reports at insurance undertakings shall be applied.

When applying the second paragraph, the provisions may be reported with the eligible simplifications based on the circumstances in each individual case.

General guidelines

The undertaking should also apply the approved international accounting standard, IFRS 4 Insurance Contracts.

Chapter 1, section 2 lays down that agreements regarding insurance in accordance with the Insurance Business Act (2010:2043) shall be reported as insurance contracts even if the agreement does not transfer significant insurance risk.

Chapter 5 Notes, etc.

Section 1 An undertaking may omit notes in accordance with Chapter 5, section 40, third paragraph and section 41, second paragraph of the Annual Accounts Act (1995:1554) regarding persons holding management positions in the undertaking,

by way of derogation from Chapter 5, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560).

By way of derogation from Chapter 5, sections 3 and 5 of the Annual Reports at Insurance Undertakings Act, notes regarding assets and items from the income statement may be omitted.

General guidelines

The section contains derogations from certain provisions regarding notes in accordance with the Annual Reports at Insurance Undertakings Act. In other words, where applicable, the undertaking provides other notes pursuant to the Annual Accounts Act with some adjustments, see Chapter 5, sections 1, 2 and 4 of the Annual Reports at Insurance Undertakings Act.

Chapter 6

Section 1 The multi-year overview in accordance with Chapter 6, section 2 of the Annual Reports at Insurance Undertakings Act (1995:1560) only needs to refer to the current financial year and the three previous financial years.

Notes that shall be provided in the multi-year overview for the period before the undertakings started to apply these regulations and general guidelines do not need to be provided if there are special grounds. The undertaking shall specify in such a case that the notes have been omitted and the reasons for this omission. Pursuant to Chapter 3, section 2 of the Annual Reports at Insurance Undertakings Act, comparison information may be omitted in other cases, if there are special grounds, see Chapter 3, section 5 and Chapter 5, section 7 of the Annual Accounts Act (1995:1554).

General guidelines¹

The multi-year overview should be presented schematically and contain as a minimum the following information:

1. Premium revenue, if the undertaking is a mutual non-life insurance company or a non-life insurance association.
2. Premium income, if the undertaking is a life insurance association.
3. Net profit or loss for the year.
4. Solvency capital.

Solvency capital consists of equity, untaxed reserves and debentures recognised in the balance sheet, as well as surplus and deficit values in investment assets not recognised at fair value in the balance sheet. When surplus and deficit values not recognised in the balance sheet are included in the solvency capital, this is done without taking deferred tax into consideration. Deferred tax assets and liabilities which, in the accounts, have affected equity, are included when calculating the solvency capital.

¹ The change entails that the first paragraph, point five and the fourth paragraph have been removed.

These regulations shall enter into force on 31 March 2016 and are applied for the first time to financial years starting after 31 December 2015 and in interim reports prepared for part of such a financial year.

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Appendix 1

C Investment assets

I Buildings and land

II Investments in group undertakings, associated undertakings, joint ventures and other undertakings in which there is a participating interest

III Other financial investment assets

1. Shares and participations
2. Bonds and other interest-bearing securities
3. Shares in investment pools
4. Mortgage loans
5. Other loans
6. Lending to credit institutions
7. Other financial investment assets

AA Equity

I Guarantee capital

I.a Operating capital

I.b Non-member contributions

III Revaluation reserve

IV Consolidation reserve

V Other reserves

1. Statutory reserve

3. Fair value reserve

4. Development expenditure reserve

5. Other reserves

VI Loss carried forward

VII Profit/loss for the year

*Appendix 3***Content of balance sheet items***General guidelines*

The items set out in Appendix 1 must be included in the balance sheet if the undertaking has the type of asset, liability or equity in question.

An item whose amount is negligible with regard to the requirement on fair presentation may be merged with and included in another appropriate item, see Chapter 3, section 3. Items whose amounts are negligible should still be recognised if the same item is recognised in the balance sheet for the immediately preceding financial year. However, this does not always need to apply the first time these regulations and general guidelines are applied.

Significant parts of the items that must be included in the balance sheet in accordance with Appendix 1 are recognised directly in the balance sheet or in a Note, see Chapter 3, section 4.

In the balance sheet, items that according to the designation in Appendix 1 are immediately preceded by Arabic numbers may be merged even if they do not refer to negligible amounts. For example, Shares and participations (C.III.1) may be merged with one or more items regarding Other financial investment assets. However, this presumes that these merged items are reported separately in a note.

Section 2 Item B – Intangible assets. The item includes

- goodwill acquired for valuable consideration,
- capitalised expenditure on development and similar activities,
- concessions, patents, licences, brands and similar rights and assets,
- tenancy rights and similar rights, and
- advance payments for intangible assets.

General guidelines

The description of what may be accounted for as an intangible fixed asset and what is considered goodwill is set out in Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), cf. Chapter 4, section 2 of the Annual Accounts Act (1995:1554).

Section 4 Item C.II – Investments in group undertakings, associated undertakings, joint ventures and other undertakings in which there is a participating interest. Reported here are

1. holdings of shares and participations as well as subscription rights and fractional rights to shares in group undertakings, associated undertakings, joint ventures and other undertakings in which there is a participating interest, and
2. bonds and other interest-bearing securities (including zero coupon and discount instruments) issued by group undertakings, associated undertakings, joint ventures and other undertakings in which there is a participating interest and loans to such undertakings.

General guidelines

The item only becomes relevant if the undertaking owns subsidiaries or associated undertakings or has participating interests in joint ventures or other undertakings.

Associated undertakings, joint ventures and participating interests are defined in Chapter 1, sections 4a–5a of the Annual Accounts Act (1995:1554).

Section 22 Item AA.V.3 – Fair value reserve. Under this item are reported changes in value of certain financial instruments in accordance with Chapter 4, section 1 of the Annual Reports at Insurance Undertakings Act (1995:1560), cf. Chapter 4, section 14d of the Annual Accounts Act (1995:1554).

Reported here are also the changes in value of investment assets (Assets, item C) other than financial instruments and properties that in part are measured at fair value in accordance with Chapter 4, section 5 of the Annual Reports at Insurance Undertakings Act and in part are not reported directly in the income statement.

General guidelines²

The item only becomes relevant if the undertaking chooses an accounting principle that entails measuring financial instruments at fair value.

Section 22a Item AA.V.4 – Development expenditure reserve. In this item are recorded transfers from unrestricted equity or the consolidation reserve. The transfer corresponds to expenditure for the undertaking's own development that has been reported as an intangible asset, see Chapter 4, section 1a.

Section 28 Item DD.2 – Life insurance provision. Mutual life insurance companies and life insurance associations that measure technical provisions in accordance with Chapter 4, section 9 of the Annual Reports at Insurance Undertakings Act (1995:1560) shall report here provisions for insurance claims, administration costs and other costs for ongoing insurance contracts during the remaining contract period. The reported amount shall include any guaranteed bonuses. The undertaking shall give due consideration to the value of additional premiums that policyholders will pay. "Guaranteed bonuses" means bonuses that consist of certain amount(s) to be disbursed in the future determined on a nominal or real basis, to which the policyholder or other party entitled to payment has an unconditional right.

² The change entails that the second paragraph has been removed.

*Appendix 4***Content of income statement items***General guidelines*

The items set out in Appendix 2 must be included in the income statement if the undertaking has the type of income and expense in question.

Items whose amounts are negligible with regard to the requirement on fair presentation may be merged with and included in another closely related, appropriate item, see Chapter 3, section 3. An item whose amount is negligible should still be recognised if the same item is recognised in the balance sheet for the immediately preceding financial year.

Significant parts of the items that must be included in the income statement in accordance with Appendix 2, must be recognised directly in the balance sheet or in a Note, see Chapter 3, section 4.