

Finansinspektionen's Regulatory Code

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



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

FFFS 2015:21

Published on 18
December 2015

Finansinspektionen's regulations regarding transitional rules for insurance business;

decided on 14 December 2015.

Finansinspektionen prescribes¹ the following pursuant to Chapter 7, sections 2 and 3 of the Insurance Business Ordinance (2011:257).

Chapter 1 Scope and definitions

Scope

Section 1 These regulations contain provisions regarding insurance business that supplement the Insurance Business Act (2010:2043) and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Section 2 These regulations apply to

1. limited insurance companies,
2. mutual insurance companies,
3. insurance associations, and
4. special companies.

Special companies are subject only to the relevant parts of Chapter 6.

The regulations also apply to the appropriate extent at group level for such a group as referred to in Chapter 19 of the Insurance Act (2010:2043).

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) (OJ L 335, 17.12.2009, p. 1, Celex 32009L0138), Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (OJ L 153, 22.5.2014, p. 1, Celex 32014L0051).

Definitions

Section 3 The terms and expressions in these regulations have the same meaning as in the Insurance Business Act (2010:2043) and Finansinspektionen's regulations and general guidelines (FFFS 2015:8) on insurance business unless otherwise indicated.

Chapter 2 Insurance undertakings that discontinue their operations

Section 1 Provisions whereby an insurance undertaking that discontinues its operations does not need to apply parts of the Insurance Business Act (2010:2043) can be found in Section 3 of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act.

Section 2 An insurance undertaking may, with the consent of Finansinspektionen, obtain an exemption under section 1 if the undertaking

1. is able to demonstrate that it will discontinue its operations before 1 January 2019, or
2. is in liquidation and a liquidator has been appointed.

If the undertaking is part of a group, in accordance with Chapter 19 of the Insurance Business Act (2010:2043), all insurance providers in the group shall have ceased issuing new insurance contracts in order to discontinue their operations before the exemption can be granted.

Section 3 The insurance undertaking shall also

1. inform Finansinspektionen that it is applying the exemption, and
2. submit an annual report to Finansinspektionen on the progress it has made towards discontinuing its operations.

Section 4 An exemption under Section 1 shall cease to apply

- on 1 January 2019 for the undertakings referred to in Section 2 (1), or
- on 1 January 2021 for the undertakings referred to in Section 2 (2).

An exemption under Section 1 may also cease to apply at an earlier point if the requirements of Section 2 are no longer met or if the undertaking has not made sufficient progress to discontinue its operations and Finansinspektionen informs the undertaking of this.

Chapter 3 Previously approved capital base items

Section 1 Provisions relating to an insurance undertaking's previously approved own funds items for Tier 1 capital can be found in point 4 of the first and second paragraphs of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043).

Section 2 The own funds items referred to in point 4 of the first paragraph of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043) shall include debenture loans without a fixed maturity that may be included in the own funds of an insurance undertaking,

pursuant to a decision by Finansinspektionen communicated prior to 1 January 2016 in accordance with Chapter 7, section 3 of the Insurance Business Act in its wording on 31 December 2015.

Section 3 The own funds items referred to in point 4 of the second paragraph of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043) shall include debenture loans with a fixed maturity that may be included in the own funds of an insurance undertaking, pursuant to a decision by Finansinspektionen communicated prior to 1 January 2016 in accordance with Chapter 7, section 3 of the Insurance Business Act in its wording on 31 December 2015.

Chapter 4 Calculation of the solvency capital requirement

Standard parameters for exposure to EEA currencies

Section 1 When calculating the solvency capital requirement for the subgroups of market concentration risk and spread risk using the standard formula, an insurance undertaking may, until 31 December 2017, use the same standard parameters for exposures to the national governments or central banks of EEA member states, which are denominated and financed in the national currency of an EEA member state, as the standard parameters that are applied to exposures to the Swedish government in Swedish kronor.

Section 2 An insurance undertaking that has applied section 1 shall reduce after 31 December 2017 the standard parameters that apply to the calculation of the solvency capital requirement in accordance with section 1 to the following percentages:

- 80 per cent in 2018,
- 50 per cent in 2019, and
- 0 per cent from 1 January 2020.

Share price risk for previously acquired shares

Section 3 When calculating the capital requirement for share price risk for shares acquired no later than 1 January 2016, an insurance undertaking may use an overall average of

1. the specific method for calculating duration-based share price risk as set out in Chapter 7, section 12 of Finansinspektionen's regulations and general guidelines (FFFS 2015:8) on insurance business, and
2. the standard parameter for the calculation of share price risk.

The first paragraph does not apply to insurance undertakings that use a special method to calculate duration-based share price risk in accordance with Chapter 8, section 8 of the Insurance Business Act (2010:2043).

Section 4 The weighting of the standard parameters indicated in Section 3 (2) shall be increased at least linearly at the end of each year from 0 per cent on 1 January 2016 to 100 per cent on 1 January 2023.

Chapter 5 Calculation of actuarial provisions

Temporary interest rate adjustment for best estimate

Section 1 Provisions whereby an insurance undertaking may use a temporarily adjusted risk-free interest rate structure in the calculation of the best estimate can be found in Chapter 5, section 10 of the Insurance Business Act (2010:2043).

Section 2 An insurance undertaking may obtain permission from Finansinspektionen under section 1 if

1. the insurance contract giving rise to the commitments was entered into no later than 31 December 2015 and has not been renewed or extended after that date,
2. the actuarial provisions for the commitments under (1) were calculated in full up to and including 31 December 2015 in accordance with the rules then in force, and
3. the undertaking has not been granted permission to apply matching adjustment in accordance with Chapter 5, section 7 of the Insurance Business Act (2010:2043) for the commitments referred to in (1).

Section 3 An insurance undertaking that has been granted permission in accordance with Section 2 shall calculate the adjustment for each currency as a proportion of the difference between

1. the rate of interest as calculated in accordance with the rules in force on 31 December 2015, and
2. the annual interest rate which, for the insurance contracts referred to in Section 2 (1), gives a value equal to the best estimate calculated in accordance with Chapter 5, section 6 of the Insurance Business Act (2010:2043).

Section 4 An insurance undertaking that has been granted permission in accordance with section 2 and which uses a volatility-adjusted risk-free interest rate in accordance with Chapter 5, section 9 of the Insurance Business Act (2010:2043), shall use the volatility-adjusted risk-free interest rate in the calculation in accordance with section 3, point 2.

Section 5 The proportion of the difference indicated in Section 3 shall be reduced linearly at the end of each year from 100 per cent on 1 January 2016 to 0 per cent on 1 January 2032.

Section 6 An insurance undertaking that uses a temporarily adjusted risk-free interest rate structure in accordance with Section 2

1. may not include such commitments referred to in Section 2 (1) when calculating the volatility adjustment in accordance with Chapter 5, section 9 of the Insurance Business Act (2010:2043),
2. may not apply the temporary deduction under Chapter 5, section 12 of the Insurance Business Act in the calculation of the actuarial provisions, and
3. shall, in the public solvency and operations report, in accordance with Chapter 16, section 1 of the Insurance Business Act, state that the undertaking is using a temporarily adjusted interest rate structure and report on how the financial position of the undertaking would be affected if the adjustment were not applied.

Temporary deduction in the calculation of actuarial provisions

Section 7 Provisions whereby an insurance undertaking may use a temporary deduction in the calculation of actuarial provisions can be found in Chapter 5, section 12 of the Insurance Business Act (2010:2043).

Section 8 An insurance undertaking may obtain permission from Finansinspektionen under section 7 if the undertaking

1. does not use the temporarily adjusted risk-free interest rate structure in accordance with Chapter 5, section 10 of the Insurance Business Act (2010:2043) and Sections 1 to 6 of this Chapter, and
2. in the public solvency and operations report, in accordance with Chapter 16, section 1 of the Insurance Business Act, states that the undertaking is using a temporary deduction for actuarial provisions and reports on how its financial position would be affected if the deduction were not applied.

Section 9 An insurance undertaking that has been granted permission in accordance with Section 8 shall calculate the temporary deduction as a proportion of the difference between

1. the undertaking's actuarial provisions calculated as at 1 January 2016, in accordance with the rules in force at that time, and
2. the undertaking's actuarial provisions calculated as at 31 December 2015, in accordance with the rules in force at that time.

The undertaking may make a deduction from the actuarial provisions, calculated in accordance with points 1 and 2 of the first paragraph for the amounts that can be recovered on the basis of contracts for reinsurance provided or from special companies.

If an insurance undertaking uses a volatility-adjusted risk-free interest structure, in accordance with Chapter 5, section 9 of the Insurance Business Act (2010:2043), the amount referred to in point 1 of the first paragraph shall be calculated using the volatility adjustment for the specified date.

Section 10 The highest deductible proportion in accordance with Section 9 shall be reduced linearly at the end of each year from 100 per cent on 1 January 2016 to 0 per cent on 1 January 2032.

Section 11 The temporary deduction under Section 8 may be divided into similar insurance risks or areas of business in accordance with Chapter 5, section 15 of the Insurance Business Act (2010:2043).

Section 12 An insurance undertaking may not use the temporary deduction so that the capital requirement of the undertaking is reduced compared with a calculation according to the rules in force on 31 December 2015.

Section 13 An insurance undertaking may, with the consent of Finansinspektionen, recalculate the amounts for the actuarial provisions indicated in Section 9 (1) and (2), including the amount for the volatility adjustment where appropriate. Such recalculation may take place every two years, or more frequently if there has been a significant change in the undertaking's risk profile.

The undertaking shall also recalculate the amounts referred to in the first paragraph at the request of Finansinspektionen.

Progress report

Section 14 The progress report to be submitted to Finansinspektionen by an insurance undertaking in accordance with Chapter 18, section 6, second paragraph of the Insurance Business Act (2010:2043) in certain cases, shall contain a report on the undertaking's activities and progress in relation to establishing an adequate own funds or reducing the undertaking's risk profile, in order to meet the solvency capital requirement no later than 1 January 2032.

Chapter 6 EU common supervisory reporting and public disclosure

Annual supervisory reporting for insurance undertakings

Section 1 The annual reports that an insurance undertaking shall submit in accordance with Chapter 13, section 1 of Commission Delegated Regulation (EU) 2015/35 and Chapter 3 and Chapter 5, section 22 of Finansinspektionen's regulations and general guidelines (FFFS 2015:13) on supervisory reporting for insurance undertakings, shall be received by Finansinspektionen no later than

- 20 weeks after the balance sheet date of 31 December 2016,
- 18 weeks after the balance sheet date of 31 December 2017,
- 16 weeks after the balance sheet date of 31 December 2018, and
- 14 weeks after the balance sheet date of 31 December 2019.

Annual supervisory reporting for groups

Section 2 The annual reports that a group as referred to in Chapter 19 of the Insurance Business Act (2010:2043) shall submit in accordance with Chapter 6, section 2 of Commission Delegated Regulation (EU) 2015/35 and Chapter 3 of Finansinspektionen's regulations and general guidelines (FFFS 2015:13) on supervisory reporting for insurance undertakings, shall be received by Finansinspektionen no later than

- 26 weeks after the balance sheet date of 31 December 2016,
- 24 weeks after the balance sheet date of 31 December 2017,
- 22 weeks after the balance sheet date of 31 December 2018, and
- 20 weeks after the balance sheet date of 31 December 2019.

Quarterly reporting for insurance undertakings

Section 3 The quarterly reports that an insurance undertaking shall submit in accordance with Chapter 13, section 1 of Commission Delegated Regulation (EU) 2015/35 and Chapter 3 of Finansinspektionen's regulations and general guidelines (FFFS 2015:13) on supervisory reporting for insurance undertakings with regard to the balance sheet dates of 31 March, 30 June, 30 September and 31 December, shall be received by Finansinspektionen no later than

- 8 weeks after the balance sheet dates for 2016,

- 7 weeks after the balance sheet dates for 2017,
- 6 weeks after the balance sheet dates for 2018, and
- 5 weeks after the balance sheet dates for 2019.

Section 4 The supplementary quarterly reports that an insurance undertaking shall submit in accordance with Chapter 5, section 10 of Finansinspektionen's regulations and general guidelines (FFFS 2015:13) on supervisory reporting for insurance undertakings with regard to the balance sheet dates of 31 March, 30 June, 30 September and 31 December, shall be received by Finansinspektionen no later than

- 8 weeks after the balance sheet dates for 2016,
- 7 weeks after the balance sheet dates for 2017,
- 6 weeks after the balance sheet dates for 2018, and
- 5 weeks after the balance sheet dates for 2019.

Quarterly reporting for groups

Section 5 The quarterly reports that a group as referred to in Chapter 19 of the Insurance Business Act (2010:2043) shall submit in accordance with Chapter 6, section 2 of Commission Delegated Regulation (EU) 2015/35 and Chapter 3 of Finansinspektionen's regulations and general guidelines (FFFS 2015:13) on supervisory reporting for insurance undertakings with regard to the balance sheet dates of 31 March, 30 June, 30 September and 31 December, shall be received by Finansinspektionen no later than

- 14 weeks after the balance sheet dates for 2016,
- 13 weeks after the balance sheet dates for 2017,
- 12 weeks after the balance sheet dates for 2018, and
- 11 weeks after the balance sheet dates for 2019.

Public disclosure

Annual solvency and operations report for insurance undertakings

Section 6 An insurance undertaking shall publicly disclose the annual solvency and operations report referred to in Chapter 16, section 1 of the Insurance Business Act (2010:2043), Chapter 12, section 1 of Commission Delegated Regulation (EU) 2015/35, the technical standards for procedures, formats and forms for solvency and operations reports and Chapter 11 of Finansinspektionen's regulations and general guidelines (FFFS 2015:8) on insurance business no later than

- 20 weeks after the balance sheet date of 31 December 2016,
- 18 weeks after the balance sheet date of 31 December 2017,

- 16 weeks after the balance sheet date of 31 December 2018, and
- 14 weeks after the balance sheet date of 31 December 2019.

Annual solvency and operations report at group level

Section 7 The annual solvency and operations report at group level referred to in Chapter 19, sections 78 and 79 of the Insurance Business Act (2010:2043), Chapter 6, section 2 of Commission Delegated Regulation (EU) 2015/35, the technical standards for procedures, formats and forms for solvency and operations reports and Chapter 13 of Finansinspektionen's regulations and general guidelines (FFFS 2015:8) on insurance business shall be publicly disclosed no later than

- 26 weeks after the balance sheet date of 31 December 2016,
- 24 weeks after the balance sheet date of 31 December 2017,
- 22 weeks after the balance sheet date of 31 December 2018, and
- 20 weeks after the balance sheet date of 31 December 2019.

Chapter 7 Operations relating to occupational pension insurance

Application and content

Section 1 This chapter applies to insurance undertakings that apply older provisions for operations relating to occupational pension insurance, in accordance with Section 2 of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043).

Section 2 The chapter contains provisions on the application of Chapters 10 and 19 of the Insurance Business Act (2010:2043) for operations relating to occupational pension insurance at such insurance undertakings referred to in section 1.

The chapter also contains a provision on what constitutes other life insurance business of only limited scope. For these operations, older provisions apply in accordance with point 2, third paragraph of the entry into force and transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043).

Section 3 Unless otherwise indicated, the provisions of Chapters 10 and 19 of the Insurance Business Act (2010:2043), and the regulations issued pursuant to these chapters of the Act, shall apply in their new wording to operations relating to occupational pension insurance.

Term

Section 4 References to the Insurance Business Act (2010:2043) in this chapter refer to the new wording of the Act, except as indicated otherwise.

Section 5 Where the applicable provisions of Chapter 10 of the Insurance Business Act (2010:2043) contain the terms listed below, these shall be replaced for operations relating to occupational pension insurance with the following terms:

- *solvency capital requirement* shall be replaced with *solvency margin*,

- *minimum capital requirement* shall be replaced with *guarantee amount*, and
- *the best estimate* shall be replaced with *the actuarial provisions*.

Limited-scope other life insurance business

Section 6 The other life insurance business at such an insurance undertaking as referred to in section 1 is only of limited scope, in accordance with point 2, third paragraph of the transitional provisions of the Act (2015:700) amending the Insurance Business Act (2010:2043), where that part of the business as at 1 January 2016 accounts for less than five per cent of the insurance undertaking's total actuarial provisions and equity in accordance with the Swedish Annual Accounts Act (1995:1560) for Insurance Companies.

Control documents

Section 7 Such an insurance undertaking as referred to in section 1, which uses an internal model for other life insurance business, shall, in its control documents for changing the undertaking's internal model in accordance with Chapter 10, section 2, first paragraph, point 6 of the Insurance Business Act (2010:2043), take into account the impact that the operations relating to occupational pension insurance may have on the other insurance business.

Section 8 Such an insurance undertaking as referred to in section 1, which also operates other life insurance business and applies any of the provisions of Chapter 5, sections 7, 9, 10 or 12 of the Insurance Business Act (2010:2043) – relating to matching adjustment, volatility adjustment, temporarily adjusted risk-free interest rate structure or temporary reduction when calculating actuarial provisions – shall, in its control documents and in its corporate governance, also take into account the impact that the operations relating to occupational pension insurance may have on the other insurance business.

Compliance function

Section 9 The compliance function at such an insurance undertaking as referred to in Section 1 shall perform the tasks specified in Chapter 10, section 16 of the Insurance Business Act (2010:2043), including for the relevant provisions of the older wording of the Insurance Business Act (2010:2043) and regulations issued in respect of those provisions.

Own risk and solvency assessment

Section 10 Such an insurance undertaking as referred to in Section 1, which only operates business relating to occupational pension insurance or which only operates other life insurance of limited scope, does not need to apply the provisions relating to own risk and solvency assessment of Chapter 10, sections 11–13 of the Insurance Business Act (2010:2043).

Such an insurance undertaking as referred to in section 1, which also operates other life insurance business that is not of limited scope, shall apply the provisions relating to own risk and solvency assessment of Chapter 10, sections 11–13 of the Insurance Business Act. The insurance undertaking shall take into account the operations relating to occupational pension insurance in the own risk and solvency assessment, with the adjustments that are necessary for the business.

Actuary

Section 11 The provisions relating to the actuarial function in Chapter 10, section 18 of the Insurance Business Act (2010:2043) also apply to operations relating to occupational pension insurance.

An actuary who has oversight of the insurance investigations and calculations, under the older wording of Chapter 5, section 14 of the Insurance Business Act, shall form part of the insurance undertaking's actuarial function in accordance with Chapter 10, section 18 of the Insurance Business Act.

Section 12 Such an actuary as referred to in Section 11, second paragraph shall comply with the conditions that apply to those who are responsible for or perform tasks within the actuarial function. These conditions are specified in Chapter 10, section 18, second paragraph of the Insurance Business Act (2010:2043) and in Chapter 9 of Finansinspektionen's regulations and general guidelines (FFFS 2015:8) on insurance business.

Group supervision

Section 13 Such an insurance undertaking as referred to in Section 1 shall not apply Chapter 19 of the Insurance Business Act (2010:2043) if the undertaking only operates business relating to occupational pension insurance or has other life insurance operations of limited scope in accordance with Section 6 and the undertaking is such an insurance undertaking that in accordance with Chapter 19, section 2, second to fourth paragraphs of the Insurance Business Act is subject to group supervision in this case.

Section 14 When calculating the consolidated capital base and the consolidated solvency capital requirement in accordance with Chapter 19 of the Insurance Business Act (2010:2043), such an insurance undertaking as referred to in Section 1, which only operates business relating to occupational pension insurance or which has other life insurance operations of only limited scope in accordance with Section 6, shall be taken into account in the calculation if the undertaking is an affiliated company in a group where another undertaking means that group supervision is to be exercised in this case. The affiliated company shall be taken into account through the use of the aggregation and offset method in accordance with Chapter 19, section 17, second paragraph of the Insurance Business Act.

A decision from Finansinspektionen, in accordance with Chapter 19, section 17 of the Insurance Business Act, is not required for the use of the aggregation and offset method for the affiliated company.

Section 15 When calculating the consolidated own funds and the consolidated solvency capital requirement in accordance with Chapter 19 of the Insurance Business Act (2010:2043), such an insurance undertaking as referred to in section 1, which operates other life insurance business that is not of limited scope, shall be taken into account through the use of the consolidation method in accordance with Chapter 19, section 17, first paragraph of the Insurance Business Act, unless Finansinspektionen has taken a decision pursuant to Chapter 19, section 17, second paragraph of the Insurance Business Act. This applies either if the undertaking is to be considered an affiliated company in the calculation or is such an insurance undertaking as referred to in Chapter 19, section 2, second to fourth paragraphs of the Insurance Business Act which necessitates group supervision in this case.

The own funds and solvency margin for operations relating to occupational pension insurance are calculated in accordance with the provisions of the older wording of the Insurance Business Act and regulations issued pursuant to these regulations.

Section 16 In an own risk and solvency assessment covering the whole group in accordance with Chapter 19, section 43 of the Insurance Business Act (2010:2043), operations relating to occupational pension insurance at such an insurance undertaking as referred to in Section 1 shall be taken into account with the adjustments that are necessary for the business.

These regulations shall enter into force on 1 January 2016.

ERIK THEDÉEN

Greta Wennerberg