

Finansinspektionen's Regulatory Code

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Finansinspektionen's general guidelines regarding technical guidelines and the basis for technical calculations;

FFFS 2003:8

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decided on 18 December 2002.

Finansinspektionen provides the following general guidelines.

Chapter 1. Scope

Section 1 These general guidelines should be applied by insurance undertakings referred to in Chapter 7, section 9 of the Insurance Business Act (1982:713).

Section 2 These general guidelines contain information about what should be included in the technical guidelines in an insurance undertaking. They can also contain principles for technical guidelines other than those specified in these general guidelines.

Chapter 2 Technical guidelines

Section 1 The insurance undertaking should design its technical guidelines to ensure that any components shared by the insurance operations are handled before those specific to individual areas.

Setting premiums

Section 2 With regard to life insurance, the insurance undertaking should state the principles it applies to selecting assumptions in respect of:

1. returns,
2. tax on returns,
3. lifespan,
4. morbidity, for example waiver of premium,
5. other risks, such as increased risk and right of option, and
6. operating costs.

The insurance undertaking should state the principles it will apply when following up how premiums are set. The principles should in particular address the risk for early termination of contracts and the risk for adverse selection with regard to risk assumptions.

Section 3 With regard to non-life insurance, the insurance undertaking should state the principles it will apply to follow up how premiums are set. For non-life insurance for which the premium is determined for at least ten years, section 2 shall apply where applicable.

Calculation of technical provisions

Section 4 With regard to life insurance, the insurance undertaking should state the principles it will apply when choosing the assumptions set out in section 2, where applicable, in respect of life insurance provisions and provisions for bonuses. In addition, the insurance undertaking should state the principles it applies when choosing its method for the calculation of provisions for outstanding claims with a special emphasis on calculating provisions for unidentified claims. The insurance undertaking should also state how the principles steering provisions for conditional bonuses are determined.

Section 5 With regard to non-life insurance, the insurance undertaking should state the principles it applies when choosing its method for the calculation of provisions for unearned premiums, unexpired risks and outstanding claims, including claims adjustment costs.

With regard to technical provisions in non-life undertakings for life and impaired-life annuities referring to reported claims, the insurance undertaking should take into account the aspects set out in section 2 where applicable.

Surrenders, advances and transfers with regard to insurances

Section 6 The insurance undertaking should state the principles for the right to surrender, draw advances against and transfer insurances. In particular, the following should be addressed:

1. the rules limiting surrenders, advances, transfers, etc.,
2. the principles for the calculation of the highest surrender value or loan value,
3. the principles for determining loan interest,
4. the principles for the right to transfer the value of an insurance to another insurance undertaking or insurance branch,
5. the insurance undertaking's right to surrender, and
6. the insurance undertaking's right to transfer the value of an insurance.

For point 2, the insurance undertaking should take into account section 2, where applicable.

For point 4, the insurance undertaking should state the principles for the distinction between capital investments of portfolios of contracts that are entitled to transfer and portfolios of contracts not entitled to transfer.

Distribution of bonuses

Section 7 With regard to life insurance contracts with a right to bonuses, the insurance undertaking should state the principles for the distribution of surpluses in the form of bonuses to the policy holders and other persons entitled to compensation. The principles should where applicable be provided for the credit of

1. guaranteed bonuses, and
2. conditional bonuses.

The insurance undertaking should state the principles for determining and following up factors that are of significance to the credit of bonuses.

The insurance undertaking should specify its policy for collective consolidation in accordance with Finansinspektionen's regulations and general guidelines (FFFS 2003:1) regarding collective consolidation.

Section 8 With regard to non-life insurance the insurance undertaking should specify the principles for the distribution of surpluses in the form of bonuses to policy holders and other persons entitled to compensation.

Reinsurance cessions and accepted reinsurance

Section 9 With regard to reinsurance cessions and accepted reinsurance, the insurance undertaking should specify:

1. the principles for how it determines maximum retention, and
2. the principles for how it selects reinsurance solutions and reinsurers.

Section 10 Insurance undertakings that primarily conduct direct insurance should specify the principles that establish the scope of accepted reinsurance.

Solvency

Section 11 The insurance undertaking should specify the principles for how it will remain solvent, for example principles for the governance of solvency and the period for the restoration of normal solvency levels. The principles should specify how solvency will be maintained in the event of frequent incoming and outgoing transfers of insurance values in the insurance portfolio.

Chapter 3 Technical basis for calculation

Section 1 The technical basis for calculation should, together with the technical guidelines, provide the insurance undertaking with a sufficient basis for calculations, governance and control.

Section 2 The technical basis for calculation should be organised and stored in such a manner that an excerpt can be provided to Finansinspektionen immediately upon request.

These general guidelines shall enter into force on 15 April 2003, whereupon Finansinspektionen's general guidelines (FFFS 1999:18) regarding technical guidelines and technical bases for calculation shall be repealed.

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