

MEMORANDUM



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Author Insurance Section

Finansinspektionen
Box 7821
SE-103 97 Stockholm
[Brunnsgatan 3]
Tel +46 8 408 980 00
Fax +46 8 24 13 35
finansinspektionen@fi.se
www.fi.se

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Supervision objectives

Supervision in the Insurance section aims to

- ensure that insurance undertakings and occupational pension undertakings hold sufficient capital in relation to their risks to be able to fulfil their commitments to policyholders,
- monitor the insurance sector from a consumer protection perspective,
- promote the contribution of the financial system to sustainable development.

Main supervisory functions

Supervision is the review of regulatory compliance. Where needed, supervision leads to decisions on measures for those who do not fulfil their legal obligations to rectify any errors. Finansinspektionen (FI) performs supervision work through various supervision activities:

- Ongoing supervision
- In-depth analyses
- Investigations

All firms under FI's supervision are subject to ongoing supervision. FI obtains information from, for example, quantitative and qualitative reporting as well as from supervisory colleges, other concerned authorities, and other external parties, among others. FI's ongoing supervision, in turn, can sometimes result in a decision to conduct a more thorough form of supervision: either an in-depth analysis or an investigation.

The purpose of an in-depth analysis aims to obtain more information about or a better understanding of a specific topic or phenomenon, and in-depth analyses normally include several firms at the same time.

The purpose of an investigation is to investigate an issue relating to one or more firms, one or more groups, a risk area, or a specific activity. Our investigations, which unlike in-depth analyses always occur in communication with the firms in question, provide FI with a basis for assessing risks more accurately and whether firms are in compliance with applicable regulations. This is necessary if we are to be able to influence firms and behaviour on the finance market.

Supervision should be risk based, but FI's supervision can also be event based in situations where FI receives information about disruptions or regulatory infringements or an immediate risk of such occurring.

When conducting ongoing supervision, investigations, and in-depth analyses, FI must consider the following focus areas (in no particular order):

- The firm/group fulfils the provisions regarding corporate governance.
- The firm/group has established and follows appropriate strategies, processes and reporting procedures in order to comply at all times with laws, regulations, and good insurance practices that govern its operations.
- The firm/group has sufficient ability to identify, assess and manage risks as they arise.
- The firm/group's technical provisions and capital strength.
- The firm/group provides consumers with access to appropriate information, which also includes sustainability-related disclosures.
- The firm/group shows consideration for consumers by basing product development and sales on consumer needs.
- The firm/group considers sustainability and transition risks.

Supervisory review process applied by the Insurance section

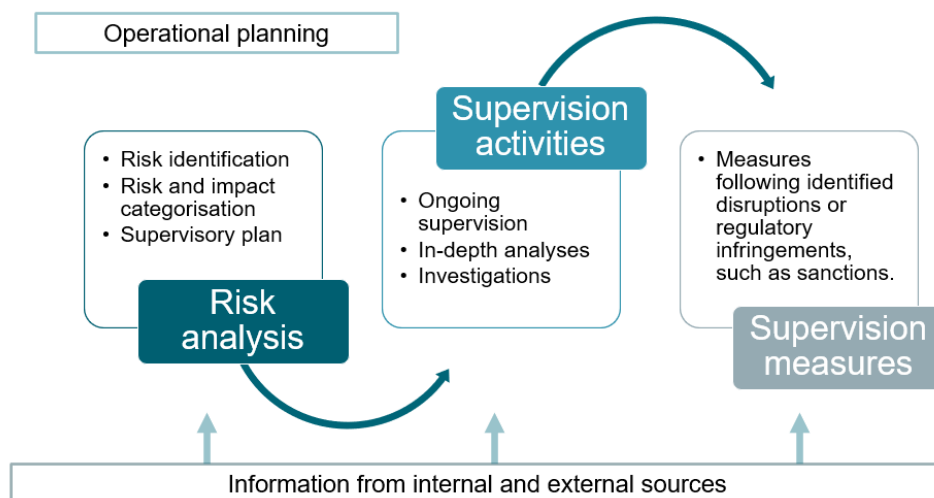
The supervisory review process must be applied consistently over time for all insurance undertakings, occupational pension undertakings and groups that fall under FI's supervision. FI's supervision should be proactive and risk based, and the authority must apply the principle of proportionality in all components of the process.

The supervisory review process follows FI's general framework for supervision and has been adapted to adhere to EIOPA's guidelines for supervision, which FI has undertaken to follow. The supervisory review process has also been adapted to contribute to FI's goal of a financially stable system with good consumer protection and to promote the contribution of the financial system to sustainable development.

The Insurance section's supervisory review process consists of the following three components:

- Risk analysis
- Supervision activities
- Supervision measures

Supervisory review process



In order for FI's supervision to be proactive and risk based, FI identifies risks on an annual basis to capture larger and emerging risks. FI then performs a risk and impact categorisation of the firms and groups under its supervision.

The risk and impact categorisation consists of two stages. The first stage involves a quantitative analysis based on information about the firm or group as presented in their periodic reporting to FI. The second stage involves a qualitative assessment that takes into consideration the risks and factors that cannot be captured by the quantitative analysis.

FI assesses the impact of any problems and, in a worst-case scenario, the impact the default of the firm/group would have on consumer protection, financial stability and society at large. FI also assesses the risk of the problems that could arise actually materialising. The results are reported in a risk and impact matrix, which applies a scale from low risk/impact (1) to high risk/impact (4).

The categorisation serves as the basis for the supervisory activity planned for the coming year.

Main areas of ongoing or planned supervisory activity

The focus areas for the 2024 supervision work include

- Falling asset prices and risky investments
- Cyber risks
- Bad and inappropriate insurance products
- Climate risks – from both a company and consumer perspective