

# Finansinspektionen's Regulatory Code

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**FFFS 2011:32**

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## **Regulations**

### **amending Finansinspektionen's regulations (FFFS 2008:19) regarding smaller, local Swedish non-life insurance companies' obligation to report data from the annual report;**

decided on 17 March 2011.

Finansinspektionen prescribes pursuant to Chapter 7, section 2 of the Insurance Business Ordinance (2011:257) in respect of Finansinspektionen's regulations (FFFS 2008:19) regarding smaller, local Swedish non-life insurance companies' obligation to report data from the annual report

*in part* that the word "non-life insurance companies" shall be replaced with "non-life insurance undertakings",

*in part* that the word "company" shall be replaced by "undertaking", but that the designation "local companies" shall remain unchanged,

*in part* that the title of Finansinspektionen's regulations (FFFS 2008:19) regarding smaller, local Swedish non-life insurance companies' obligation to report data from the annual report, Chapter 1, sections 1 and 4 and Chapter 2, section 2 of the regulations shall have the following wording, and

*in part* that sections D and E in Appendix 1 and Appendix 2 shall have the following wording.

### **Finansinspektionen's regulations regarding smaller, local Swedish non-life insurance undertakings' obligation to report data from the annual report.**

#### **Chapter 1**

**Section 1** These regulations shall be applied by non-life insurance undertakings whose balance sheet total in accordance with the balance sheets for the previous two financial years is below 1,000 basic amounts for each financial year in accordance with the Social Insurance Implementation Act (2010:111).

The regulations do not apply to insurance associations or smaller local companies that only provide livestock insurance (local livestock companies).

**Section 4** An undertaking may be granted an exemption from the requirement to submit a solvency declaration if

1. the undertaking's business does not include credit or guarantee insurance or liability insurance other than insurance which is treated as secondary in accordance

with Chapter 2, section 11, second paragraph of the Insurance Business Act (2010:2043), and

2. at least 50 per cent of the annual premium income comes from the undertaking's co-owners.

Applications for exemption from the requirement to submit solvency declarations are made in Appendix 1, section D.

## **Chapter 2**

**Section 2** A non-life insurance undertaking shall submit a declaration of the undertaking's solvency at the balance sheet date. The declaration shall include information about the available solvency margin, solvency margin and guarantee amount in accordance with Chapter 7, sections 2-20 of the Insurance Business Act.

An undertaking which, during the financial year, has been a receiving or assigning party in an assignment of insurance stock shall submit information on such assignments along with the declaration.

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These regulations shall enter into force on 1 May 2011 and are applied to information relating to financial years commencing after 31 December 2010.

MARTIN ANDERSSON

Joakim Ström

**ANNUAL REPORT FOR SMALLER, LOCAL NON-LIFE INSURANCE UNDERTAKINGS**

INSTITUTION		PERIOD	INSTITUTION NUMBER
HANDLED BY	TELEPHONE NUMBER	COMP. REG. NO.	

Amounts indicated in SEK thousand without decimals

### **D. EXEMPTION FROM THE REQUIREMENT TO SUBMIT A SOLVENCY DECLARATION CONTROL AND APPLICATION**

A local mutual non-life insurance undertaking may be granted an exemption from the requirement to submit a solvency (1) the undertaking's adopted balance sheet total in accordance with the balance sheets for the last two years does not exceed 1,000 basic amounts in accordance with the General Insurance Act (1962:381) for each financial year, (2) the undertaking's activities do not include credit or guarantee insurance or liability insurance other than insurance which is treated as secondary in accordance with Chapter 2, section 11, second paragraph of the Insurance Business Act (1962:381) and (3) at least 50 per cent of the annual premium income originates from the undertaking's co-owners.

#### **Information for the exemption application**

<b>D1</b>	Total assets for the year preceding the most recent completed financial year	
<b>D2</b>	Total assets for the year before the year referred to in D1	
<b>D3</b>	Gross premium income according to the income statement	[Link from C1]
<b>D4</b>	Gross premium income, accepted reinsurance	[Link from C2]
<b>D5</b>	D4/D3	
<b>D6</b>	Basic amount, SEK	

The undertaking has a concession for at least one of insurance classes 10-15

<b>D7</b>	Yes	
<b>D8</b>	No	

#### **D9 EXEMPTION APPLICATION**

This application is hereby submitted for an exemption from the requirement to submit a solvency declaration.

(The exemption will be granted if the undertaking fulfils the exemption requirements as set out above.)

**D10** COMMENTS (maximum 2,000 characters)

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**D11**

HANDLED BY
TELEPHONE NUMBER
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# ANNUAL REPORT FOR SMALLER, LOCAL NON-LIFE INSURANCE UNDERTAKINGS

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## E. SOLVENCY DECLARATION FOR UNDERTAKINGS EXCLUSIVELY CONDUCTING NON-LIFE INSURANCE BUSINESS

### AVAILABLE SOLVENCY MARGIN

#### A-items

E1	Paid in share capital or guarantee capital (B24-B1)	
E2	Statutory reserves (B26+B27+B28)	
E3	Non-restricted reserves	
E4	Accumulated profit/loss	
E5	Profit/loss for the year after AGM appropriations	
E6	Subordinated loans, up to a maximum of 25 per cent (fixed maturity) or 50 per cent of the required solvency margin	
E7	Openly reported surplus values (net) in assets	
E8	<b>Total available solvency margin before deductions (E1 : E7)</b>	=
E9	of which conversion adjustment	
E10	<b>Deductions</b>	
	Intangible items in the balance sheet	
E11	Difference between undiscounted and discounted provisions for outstanding claims	
E12	Cash flow hedge adjustment	
E13	Reclassified items	
E14	Unrealised changes in value of financial liabilities due to changes in own creditworthiness	
E15	Plan assets and unreported pension liabilities	
E16	Other deductions	
E17	<b>Total Available solvency margin (E8-E10-E11-E12-E13-E14-E15-E16)</b> [Link to E84, E88]	=

#### Adjusted available solvency margin = total of items for which consent is not needed

E18	Available solvency margin less A-items E6 and E7 <sup>1)</sup> (E17-E6-E7)	
E19	Openly reported surplus values (net) in assets	
E20	Adjusted available solvency margin in openly reported surplus values (net) in assets	=

Filled in by

Finansinspektionen

#### B-items

E21	Non-openly reported surplus values that originate from undervalued assets	
E22	Half of not yet paid in share capital or guarantee capital (50% x B1)	
E23	Half of unused distribution right; up to 50 per cent of required solvency margin	

Filled in by

Finansinspektionen

E24	Raised available solvency margin (E17+E21+E22+E23)	=
E25	-of which B-items (%) represent ((E21+E22+E23)/E24*100)	

## ANNUAL REPORT FOR SMALLER, LOCAL NON-LIFE INSURANCE UNDERTAKINGS

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### E. SOLVENCY DECLARATION FOR UNDERTAKINGS EXCLUSIVELY CONDUCTING NON-LIFE INSURANCE BUSINESS

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#### REQUIRED SOLVENCY MARGIN

##### First result

<b>E26</b>	Premium income before reinsurance cessions (gross) for direct insurance and accepted reinsurance, excluding classes 11–13		
<b>E27</b>	Premium income before reinsurance cessions (gross) for direct insurance and accepted reinsurance in classes 11–13		
<b>E28</b>	$E27 \times 1.50$	=	
<b>E29</b>	Premiums in E26 and E27 above that were cancelled (and taxes and fees)		
<b>E30</b>	Adjusted premium income (E26+E28-E29)	=	
<b>E31</b>	Gross value of earned premiums, excluding classes 11-13		
<b>E32</b>	Gross value of earned premiums for classes 11-13		
<b>E33</b>	$E32 \times 1.50$	=	
<b>E34</b>	Adjusted gross value of earned premiums (E31+E33)	=	
<b>E35</b>	The larger of E30 Adjusted premium income and E34 Adjusted gross value		
<b>E36</b>	the portion of E35 less than EU Threshold Value 1 multiplied by 0.18 <sup>2)</sup>	=	
<b>E37</b>	the portion of E35 exceeding EU Threshold Value 1 multiplied by 0.16 <sup>2)</sup>	=	
<b>E38</b>	<b>Total = (E36 + E37) premium basis</b>	=	
<b>E39</b>	Insurance compensations after reinsurance cessions (o.o.a.) for the preceding three financial years	[Link to E61]	
<b>E40</b>	Insurance compensations before reinsurance cessions (gross) for the preceding three financial years	[Link to E62]	
<b>E41</b>	Ratio between insurance compensations o.o.a. and insurance compensations, gross (E39/E40)	[Link to E63]	=
<b>E42</b>	The higher of E41 and 0.50	[Link to E64]	=
<b>E43</b>	<b>First result (adjusted premium basis) (E38 x E42)</b>	[Link to E66]	=

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### E. SOLVENCY DECLARATION FOR UNDERTAKINGS EXCLUSIVELY CONDUCTING NON-LIFE INSURANCE BUSINESS

#### Second result

<b>E44</b>	Paid insurance compensations for direct insurance and accepted reinsurance during the reference period <sup>3)</sup> excluding classes 11-13		
<b>E45</b>	Paid insurance compensations for direct insurance and accepted reinsurance during the reference period <sup>3)</sup> for classes 11-13		
<b>E46</b>	E45 x 1.50	=	
<b>E47</b>	Provision for outstanding claims for direct insurance and accepted reinsurance, excluding classes 11–13, at the end of the reference period		
<b>E48</b>	Provision for outstanding claims for direct insurance and accepted reinsurance for classes 11-13 at the end of the reference period		
<b>E49</b>	E48 x 1.50	=	
<b>E50</b>	Recovered amounts excluding classes 11-13		
<b>E51</b>	Recovered amounts for classes 11-13		
<b>E52</b>	E51 x 1.50	=	
<b>E53</b>	Provision for outstanding claims for direct insurance and accepted reinsurance, excluding classes 11–13, at the beginning of the reference period		
<b>E54</b>	Provision for outstanding claims for direct insurance and accepted reinsurance for classes 11-13 at the beginning of the reference period		
<b>E55</b>	E54 x 1.50	=	
<b>E56</b>	<b>Total for the reference period (E44+E46+E47+E49-E50-E52-E53-E55)</b>	=	
<b>E57</b>	Total insurance compensations divided by the number of years in the reference	=	
<b>E58</b>	the portion of E57 less than EU Threshold Value 2 multiplied by 0.26 <sup>2)</sup>	=	
<b>E59</b>	the portion of E57 exceeding EU Threshold Value 2 multiplied by 0.23 <sup>2)</sup>	=	
<b>E60</b>	<b>Total (E58+E59) claims basis</b>	=	
<b>E61</b>	Insurance compensations after reinsurance cessions (o.o.a.) for the three preceding financial years	[Link from E39]	
<b>E62</b>	Insurance compensations before reinsurance cessions (gross) for the three preceding financial years	[Link from E40]	=
<b>E63</b>	Ratio between E61 and E62	[Link from E41]	=
<b>E64</b>	The larger of E63 and 0.50	[Link from E42]	=
<b>E65</b>	<b>Second result (adjusted claims basis) (E60 x E64)</b>	[Link to E67]	=

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### E. SOLVENCY DECLARATION FOR UNDERTAKINGS EXCLUSIVELY CONDUCTING NON-LIFE INSURANCE BUSINESS

#### Comparison with preceding year's solvency margin

<b>E66</b> First result (adjusted premium basis)	[Link from E43]	=	
<b>E67</b> Second result (adjusted claims basis)	[Link from E65]	=	
<b>E68</b> The larger of E66 and E67			
<b>E69</b> The higher of the preceding year's first and second result			
<b>E70</b> If E68 is greater than E69: Solvency margin the greater of E66 and E67 (E68)	[To E77]		
<b>E71</b> If E69 is greater than E68: Closing provision for outstanding claims on own account			
<b>E72</b> Opening provision for outstanding claims on own account			
<b>E73</b> Ratio between closing and opening provisions for outstanding claims o.o.a. (E71/E72)		=	
<b>E74</b> Solvency margin : Preceding year's solvency margin multiplied by the ratio between closing and opening provisions for outstanding claims o.o.a. (E69 x E73)	[To E77]		

#### Guarantee amount

<b>E75</b> The undertaking's statutory guarantee amount, in accordance with Chapter 7, sections 17-19 of the Insurance Act, expressed in EUR <sup>5)</sup>		=	
<b>E76</b> Guarantee amount translated to SEK thousands (E75 x E91) x 0.10	[Link to E78, E82]	=	

#### SUMMARY

<b>E77</b> Solvency margin, see Comparison with preceding year's solvency margin			
	[E70 or E74]		
<b>E78</b> Guarantee amount	[Link from E76]		
<b>E79</b> Required solvency margin = the higher of E77 and E78	[Link to E80, E89]	=	

#### Requirement for size of the available solvency margin

<b>E80</b> Required solvency margin			
	[Link from E79]		
<b>E81</b> One-third of the required solvency margin (E79 / 3)		=	
<b>E82</b> Guarantee amount	[Link from E76]		
<b>E83</b> Minimum requirement for adjusted available solvency margin = the largest of E81 and E82			

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## E. SOLVENCY DECLARATION FOR UNDERTAKINGS EXCLUSIVELY CONDUCTING NON-LIFE INSURANCE BUSINESS

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### Available solvency margin

<b>E84</b> Total available solvency margin	[Link from E17]	
<b>E85</b> Adjusted available solvency margin	[Link from E20]	
<b>E86</b> B-items (E21+E22+E23)		
<b>E87</b> Raised available solvency margin	[Link from E24]	
<b>E88</b> At the end of the financial year, the available solvency margin	[Link from E17]	
<b>E89</b> and the required solvency margin	[Link from E79]	
<b>E90</b> Surplus/deficit (E88 - E89)	=	
<b>E91</b> Euro rate in SEK for the financial year	=	

### Footnotes

- 1 This value shall fulfil the requirements set out in Chapter 7, sections 17-19 of the Insurance Business Act that the available solvency margin or entire guarantee amount shall consist of certain items
- 2 If the amount announced by the European Communities' Commission for the year is higher, this amount should be used as the threshold value. Information about this amount is available at [www.fi.se](http://www.fi.se).
- 3 In general, the reference period consists of the three most recent preceding years, although for undertakings that primarily underwrite credit or insurance for at least one of storm, hail or frost insurance it shall consist of the seven most recent preceding years
- 4 Use the number of years, three or seven, that corresponds to the length of the reference period
- 5 If the amount announced by the European Communities' Commission for the year is higher, this amount should be used as a guarantee amount. Information about this amount is available at [www.fi.se](http://www.fi.se).

COMMENTS (maximum 2,000 characters)

**E92**

HANDLED BY

**E93**

TELEPHONE NUMBER

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*Appendix 2***Instructions for the form Annual Reports for smaller, local non-life insurance undertakings**

Specify all amounts in SEK thousand without a decimal point and round in accordance with applicable rules. Amounts below SEK 500 are reported as 0.

Some information is changed each year, for example the Euro rate to be applied for the financial year. For current values, see Finansinspektionen's website, [www.fi.se](http://www.fi.se).

Explanatory notes on the information supplied may be included in the Comments section in each section of the form. The administrator's name, telephone number and e-mail address should also be given here to enable Finansinspektionen to contact the undertaking if any questions arise.

The undertaking's actuary should check the information before it is submitted to Finansinspektionen. The actuary, along with the Managing Director, is responsible for certifying that the information is accurate. However, as far as the actuary is concerned, this responsibility only relates to information on solvency and technical provisions.

Terms and expressions in the forms and in these notes have the same meaning as in the Annual Reports at Insurance Companies Act (1995:1560) and Finansinspektionen's regulations and general guidelines (FFFS 2008:26) regarding annual reports at insurance companies, unless otherwise stated.

In the forms, however, certain information shall be divided up and specified in more detail than in the annual report. In forms A and C costs shall be given as a negative figure with a minus sign (including in specifications of pure cost items). Accepted life and non-life reinsurance shall be reported together.

**Reporting of data from the annual report, etc.**

Report information in the sections A–E of the form:

1. Income statement (A)
2. Balance sheet (B)
3. Specifications of income statement and balance sheet items (C)
4. Solvency declaration (E)

Applications for exemption from the requirement to submit solvency declarations are made in form D.

**A. Income statement****Report on premium income, insurance compensations, etc.**

In the form, costs are given as a negative figure with a minus sign (including in specifications of pure cost items).

Accepted life and non-life reinsurance are reported together.

Motor vehicle insurance for combine harvesters, for example, is included in Other insurance categories.

## **B. Balance sheet**

### **Assets, equity, provisions and liabilities**

Investment assets, debts relating to direct insurance, fair value funds, untaxed reserves, subordinated liabilities, provisions for other risks and expenses, liabilities and accrued costs and deferred income. Some of the information is obtained from Specifications: Balance Sheet.

## **C. Specifications: Income Statement and Balance Sheet**

The type of the investment asset is specified as well as both the fair value and the book value (the value in the balance sheet).

## **D. Exemption from submitting a solvency declaration: Application and control**

A local mutual non-life insurance undertaking may be granted an exemption from the requirement to submit a solvency declaration if

1. the undertaking's balance sheet total in accordance with the balance sheets for the previous two financial years does not exceed 1,000 basic amounts for each financial year in accordance with the Social Insurance Implementation Act (2010:111),
2. the undertaking's business does not include credit or guarantee insurance or liability insurance other than insurance which is treated as secondary in accordance with Chapter 2, section 11, second paragraph of the Insurance Business Act (2010:2043), and
3. at least 50 per cent of the annual premium income comes from the undertaking's co-owners.

If the above conditions are fulfilled, place an X on the page. Also fill in the remaining information requested.

*Example D1 and D2:* If the application relates to the solvency declaration as per 31 December 2011, row D1 is the balance sheet total as per 31 December 2010 and row D2 the balance sheet total as per 31 December 2009.

## **E. Solvency declaration for undertakings conducting only non-life insurance business**

State the financial year to which the information relates on each page of the form. The Euro exchange rate for the financial year is stated in Finansinspektionen's regulations on the Euro exchange rate.

The following data is required in order to complete the form:

1. If the undertaking is a *mutual company* and

- a) mainly provides credit insurance or insurance that covers one or more of the risks of storm, hail or frost: the undertaking's annual accounts for the past seven years and the articles of association (the reference period is seven years),
- b) mainly provides insurance other than the insurance specified in point a: the undertaking's annual accounts for the past three years and the articles of association (the reference period is three years).

2. If the undertaking is a *limited liability company* and

- a) mainly provides credit insurance or insurance that covers one or more of the risks of storm, hail or frost: the undertaking's annual accounts for the past seven years (the reference period is seven years),
- b) provides insurance other than the insurance specified in paragraph a: the undertaking's annual accounts for the past three years (the reference period is three years).

For new start-ups, the above only applies insofar as it is applicable. Undertakings which have conducted business for a period of less than three (seven) years are subject to a proportionately shorter reference period. Undertakings which have an abbreviated or extended financial year should contact Finansinspektionen before completing the forms.

In the case of solvency reports, it should be taken into account that the rules contained in the Insurance Business Act apply to both classification and valuation of technical provisions and the assessment of what constitutes an insurance contract. This applies regardless of what accounting rules are applied by the undertaking when determining both the required and available solvency margins.

### **Available solvency margin**

Information is obtained from the balance sheet in the most recent annual accounts and, in the case of mutual companies, from the articles of association.

The items in the available solvency margin shall be stated net appropriations in accordance with the appropriations proposed at the Annual General Meeting as stated in the annual accounts.

#### *A-items*

##### **E1 Paid in share capital or guarantee capital**

This item relates only to paid in start-up capital and any capital contribution.

Finansinspektionen may, on application, allow half of the as yet unpaid equity share or guarantee capital to be included in the available solvency margin, see the instructions for E22.

##### **E2 Reserves required by law**

A share premium reserve, revaluations reserve and statutory reserve, i.e. the sum of items AA.II, AA.III and AA.V(1) on the liabilities side of the balance sheet, are stated here. However, the fair value fund is equated with the surplus in this context and reported in E7. Provision for credit insurance (equalisation reserve) may not be included in the available solvency margin. Any surplus provisions for credit insurance are reported in E4.

##### **E3 Non-restricted reserves**

Security reserves and other untaxed reserves are stated here, though not surplus provisions for credit insurance that are reported in E4 or equalisation reserves for credit insurance which may not be included in the available solvency margin. The information should be consistent with item BB on the liabilities side of the balance sheet, unless the undertaking reports surplus provisions for credit insurance there. In such cases, the surplus provisions are deducted before the information is reported in the form.

**E4 Accumulated profit/loss**

This relates to the sum of the items Other funds and Profit or loss brought forward after appropriations (AA.V(4) and AA.VI on the liabilities side of the balance sheet, increased or reduced by the appropriations for the year by the Annual General Meeting). The adjustment made to the annual accounts item Profit or loss brought forward as a consequence of the application of fair value as a valuation principle is included here. The part of the profit or loss for the year brought forward in new accounts is stated beside the profit or loss for the year in E5. Any part of an equalisation provision for credit insurance that exceeds the amount contemplated in Chapter 5, sections 10 and 11 of the Insurance Business Act is included here.

**E5 Profit/loss for the year after appropriations by the Annual General Meeting**

This item refers to the profit or loss for the year, including any unrealised profit or loss (AA.VII on the liabilities side of the balance sheet) with a deduction for any appropriations by the Annual General Meeting such as a dividend to the shareholders.

**E6 Subordinated loans up to a maximum of 25 per cent (fixed term) or 50 per cent of the required solvency margin**

Only subordinated loans that Finansinspektionen has permitted in response to an application are reported here. The loans are associated with certain conditions in accordance with Finansinspektionen's regulations regarding subordinated loans in insurance undertakings' available solvency margins. The regulations state that the available solvency margin may include both subordinated loans with no fixed term (so-called perpetual subordinated loans) and certain subordinated loans with a fixed term.

A subordinated loan may amount to a maximum of 50 per cent of the available or required solvency margin, whichever is the lower, though up to a maximum of 25 per cent in the case of a subordinated loan with a fixed term. Under normal circumstances the required solvency margin is lower than the available solvency margin. Therefore, the required solvency margin should be calculated first in order to be able to fill in which amount may be included in the available solvency margin. The required solvency margin consists of the solvency margin and the guarantee amount in accordance with E81, whichever is the higher.

**E7 Openly reported surplus values (net) in assets**

In accordance with Chapter 7, section 3 of the Insurance Business Act, Finansinspektionen may grant approval for items in addition to those contemplated in the Act to be included in an insurance undertaking's available solvency margin. Finansinspektionen may therefore permit an undertaking, upon application, to include surplus values (net) in its assets, provided that these surplus values are recognised in the undertaking's annual accounts. Equated with surplus values in this context are surplus values in a fair value fund relating to available-for-sale financial assets and fixed assets. Surplus values other than a fair value fund should be stated in the notes or the directors' report to be taken into account.

The undertaking applies for permission to include assets in its available solvency margin by reporting the assets in the form. No additional application is required. If Finansinspektionen does not grant approval, the undertaking is notified of the decision separately.

Net surplus and deficit values in assets are included in this item, as appropriate. Surplus values and deficit values in a fair value fund are taken into account before any deferred tax. Deferred tax on unrealised profits that were previously booked against a fund for unrealised profits may also be included in E7.

If a net amount for openly reported assets thus calculated shows a deficit value, a deduction is made from the available solvency margin under deduction item E16.

#### **E9 Of which conversion adjustment**

The total adjustment of opening balances in items in equity as a consequence of the undertaking's initial application of new or amended international accounting standards in accordance with Finansinspektionen's regulations and general guidelines regarding annual reports for insurance companies or Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards is stated on the "Of which conversion adjustment" line.

#### **E10 Intangible items in the balance sheet**

Regardless of which accounting rules are applied, deductions for any intangible assets that may relate to item B are reported here. Intangible assets in the balance sheet in accordance with Appendix 1 of the Annual Reports at Insurance Companies Act (1995:1560) are reported in this section.

#### **E11 The difference between undiscounted and discounted provisions for outstanding claims**

Provisions for outstanding claims may be discounted if the undertaking fulfils the requirements set out in Finansinspektionen's accounting regulations. In accordance with the regulations, undertakings which discount a provision for outstanding claims shall state the undiscounted value of the provision in a note to the annual accounts.

A deduction is made from the available solvency margin for the difference between undiscounted provisions and discounted provisions for outstanding claims for such insurance policies as contemplated in Chapter 2, section 11, first paragraph of the Insurance Business Act, classes 3–18.

This calculation shall not be affected by annuities and life annuities in non-life insurance.

#### **E12 Cash flow hedge adjustment**

The available solvency margin shall be adjusted for reported changes in values under equity if these relate to derivative instruments which are included in cash flow hedges for assets and liabilities.

#### **E13 Reclassified items**

The available solvency margin may include items which according to older accounting rules would have been classified as equity, but which under IFRS-adapted accounting rules are classified as liabilities.

The available solvency margin may not include items which according to older accounting rules would have been classified as liabilities, but which under IFRS-adapted accounting rules are classified as equity.

IFRS-adapted accounting rules mean

1. Finansinspektionen's regulations and general guidelines regarding annual reports for insurance undertakings or accounting regulations replacing these regulations, and
2. Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

“Older accounting rules” means Finansinspektionen's regulations and general guidelines (FFFS 2003:13) regarding annual reports for insurance undertakings with restrictions and supplements in accordance with the regulations and general guidelines contained in points 4 and 5 of the transitional rules of Finansinspektionen's regulations and general guidelines (FFFS 2005:34) regarding annual reports for insurance undertakings.

Examples of items that may be reclassified include:

1. An embedded derivative which according to older accounting rules was reported as part of an instrument classified as a liability, but which according to IFRS-adapted accounting rules may be classified as equity.

#### **E14 Unrealised changes in value of financial liabilities due to changes in own creditworthiness**

If financial liabilities which are not held for trade or are the subject of an effective and documented fair value hedge, are measured at fair value in the accounts, the size of the available solvency margin shall not be affected by accumulated value changes attributable to change in credit worthiness. This relates to financial liabilities valued at fair value on the basis of the “fair value option” in IAS 39 Financial Instruments: Recognition and Measurement.

#### **E15 Plan assets and unreported pension liabilities**

If plan assets, or equivalent rights to payment, are valued in the balance sheet at an amount which exceeds pension liabilities or other payments to employees related thereto, the difference shall be deducted from the available solvency margin after taking into account deferred taxes. However, this does not apply to surpluses in pension foundations that can be appropriated through reimbursements in accordance with the Safeguarding of Pension Commitments etc. Act (1967:531).

The available solvency margin shall also be reduced by a negative net of actuarial gains and losses estimated in accordance with applied accounting principles and other calculated increases in liabilities for payments to employees which are not reported directly on the balance sheet or covered by related plan assets or corresponding payments in accordance with insurance policies. However, this does not apply if liabilities for pensions or other payments to employees are reported on the balance sheet at an amount of at least that which would have been reported had the undertaking applied calculation models in accordance with the Safeguarding of Pension Commitments Act etc. or the equivalent foreign rules on the safeguarding of pension commitments. This exemption applies on condition that the undertaking's external auditors have verified the amounts.

#### **E16 Other deductions**

Deductions in accordance with Chapter 7, section 4 of the Insurance Business Act for the book value of shares and contributions in certain undertakings, for example, are reported in E16. Deductions for a calculated deficit value (net) of openly

reported assets in accordance with the instructions for E7 are also reported under E16. An equalisation reserve for credit insurance may not be included in the available solvency margin. If an equalisation reserve for credit insurance is included in the Total Available solvency margin before deduction items (E8), a deduction for that reserve shall be made under E16.

*Adjusted available solvency margin = Total items for which consent is not required*

The total is calculated by reducing the available solvency margin by the items which require approval from Finansinspektionen, i.e. E6 and E7. The total shall fulfil the minimum requirement that it corresponds to one-third of the solvency margin and the guarantee amount in accordance with Chapter 7, section 17, second paragraph of the Insurance Business Act.

Finansinspektionen's approval is required if the undertaking also wishes to include openly reported surpluses (E7) in order to fulfil this requirement. An undertaking that reports such assets here has thereby applied for approval to include them. In such cases, the adjusted available solvency margin including openly reported surplus values is stated as an adjusted available solvency margin on the last page of the form. Where Finansinspektionen does not grant approval to include the surplus values in the adjusted available solvency margin, the undertaking is notified of the decision separately.

#### *B-items*

Information for the B-items is processed separately after the undertaking has applied for approval to include one or more of them in its available solvency margin. If Finansinspektionen grants approval for the items to be included in the available solvency margin, Finansinspektionen also fills in the information on the form and notifies the undertaking of the size of the adjusted available solvency margin.

#### **E21 Non-openly reported surplus values which derive from undervaluation of assets**

A Swedish insurance undertaking normally owns no non-openly reported surplus values because all surplus values are by definition openly reported in the balance sheet and/or in the directors' report.

#### **E22 Half of the as yet unpaid share capital or guarantee capital**

*For a joint-stock company*, unpaid share capital can only occur via a new issue.

*For a mutual company*, unpaid guarantee capital can only occur in the case of a contribution of guarantee capital in the course of the business.

Because the provisions for annual accounts involve the reporting of gross figures, guarantee capital, like shareholders' contributions as a consequence of a new issue, shall be reported on the liabilities side of the balance sheet as though it were fully paid in. Claims on amounts not paid in full shall also be reported as a specific main item on the assets side of the balance sheet. Half of the amount in this item may, with Finansinspektionen's approval, be included in the available solvency margin.

The item may account for a maximum of 50 per cent of the available or the required solvency margin, whichever is lower.

#### **E23 Half of unused distribution right up to 50 per cent of the required solvency margin**

This information applies only to mutual non-life insurance companies. Non-life insurance undertakings' distribution right is governed in Chapter 12, section 2 of the Insurance Business Act. The articles of association state whether the distribution right is limited and, in which case, to what amount.

The distribution right item may account for a maximum of 50 per cent of the available or required solvency margin, whichever is the lower. Under normal circumstances the required solvency margin is lower than the available solvency margin. Therefore the required solvency margin should be calculated first in order to obtain the amount that may be included in the available solvency margin subject to approval by Finansinspektionen. The required solvency margin consists of the solvency margin and the guarantee amount in accordance with E81, whichever is the higher.

*Undertakings with no rules on limitation*

If there are no rules on limitation in the articles of association, no deduction needs to be made for any distribution carried out for the financial year.

*Undertakings with rules on limitation*

The undertaking shall calculate, with the aid of its rules on limitation, the maximum combined amount that could have been distributed to the members during the financial year. The amount actually collected for the current financial year is then deducted from that value. The remaining amount shall be halved, i.e. divided by two. This amount is then compared with the amount of 50 per cent of the required solvency margin. The lower of these amounts is the amount that may be included in the available solvency margin subject to approval by Finansinspektionen.

**Required solvency margin**

Information is obtained from the income statement, with associated notes, in the most recent annual accounts.

In the calculation, the amounts for premiums, insurance compensations, technical provisions and the claim recourse amount for claims settled for insurance classes 11–13 in Chapter 2, section 11, first paragraph of the Insurance Business Act shall be increased by 50 per cent. Finansinspektionen may, on application, allow statistical methods to be used to determine the share of premiums, insurance compensations, technical provisions and claims paid that relate to these classes.

When calculating the required solvency margin, reinsurance cession is taken into account to a certain extent through the calculation of a retention ratio. Finansinspektionen may decide, in accordance with Chapter 7, section 15 of the Insurance Business Act, that the deduction due to reinsurance cessions should be reduced

- if the reinsurance contracts have substantially worsened since the previous financial year, or
- if the contracts lead only to insignificant transfer of risk.

Finansinspektionen may, on application, grant approval for the solvency margin to be reduced by an amount that may be recovered from a special-purpose entity<sup>1</sup>.

In such cases, the undertaking is notified of the decision separately.

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<sup>1</sup> An undertaking in accordance with Chapter 1, section 12, point 4 of the Insurance Business Act.



*First result***E26 Premium income before reinsurance cessions (gross) for direct insurance and accepted reinsurance excluding classes 11–13**

This relates to income which is not allocated to periods. Lump-sum premiums for insurance policies with terms of more than one year are therefore included in their entirety. If another insurance undertaking purchased a non-life disability annuity in the reporting undertaking, the transaction shall be clearly stated in the income statement. The compensation received by the undertaking for the disability annuity shall also be regarded as premium income and included in item E26.

Premium income for insurance classes 11–13 is reported in E27.

**E27 Premium income before reinsurance cessions (gross) for direct insurance and accepted reinsurance in classes 11–13**

Premium income for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act, is stated in this section. The amount for premium income for the insurance classes shall be increased by 50 per cent and the total shall be stated in E28.

**E29 Cancelled premiums**

An adjustment is made here if E26 and possibly E27 have been reported without a deduction for cancelled premiums (e.g. third party motor insurance premiums for cars which are scrapped or sold).

If premiums for classes 11–13 (E27) have been reported without a deduction for cancelled premiums, an adjustment shall also be made to compensate for the fact that the premiums in these classes in the basis for the calculation have increased by 50 per cent.

However, the item can be established at a zero value if its size is of minor importance and it is difficult and costly to obtain information on cancelled premiums.

**E31–E32 Gross value of the earned premiums**

The item corresponds to gross premium income (before reinsurance cessions) i.e. items I.1.a and I.1.c in the income statement.

Premium income for insurance classes 11–13 shall also be increased by 50 per cent in this section and then added to premium income for other classes of non-life insurance.

**E36–E37**

The amount of the adjusted premium income or the adjusted gross value of the earned premiums, whichever is the higher, is stated here. The part which is equal to or below the SEK equivalent of EUR Threshold Value 1 is multiplied by 0.18 and reported in E36.

When the adjusted total premium income (E30) or the adjusted gross value of the earned premiums (E34), whichever is the higher, exceeds the SEK equivalent of EU Threshold Value 1, the surplus amount is multiplied by 0.16 and reported in E37.

Amounts expressed in EUR are revised on an annual basis by the European Commission so that they reflect changes in the European consumer price index.

The most recent change in the threshold value when calculating the premium basis (EU Threshold Value 1) entered into force on 1 January 2010. Information on the amount is available at Finansinspektionen's website, [www.fi.se](http://www.fi.se).

The Euro exchange rate used in the conversion to SEK is stated in Finansinspektionen's regulations regarding the Euro exchange rate.

**E39 Insurance compensations after reinsurance cessions (o.o.a.) for the preceding three financial years**

State insurance compensations (after reinsurance cessions) for the preceding three financial years here. The information to which this relates is therefore the part that does not fall on the undertaking's reinsurer.

**E40 Insurance compensations before reinsurance cessions**

The insurance compensations (before reinsurance cessions) should be calculated for the preceding three financial years for all direct business and accepted reinsurance, i.e. the same information as in E39 but without any deduction for the reinsurers' share.

**E41** Ratio E39/E40. If E40 is zero (0), the ratio is set to 1.

**E42** If E41 is greater than 0.50, E41 is implemented – otherwise E42 is fixed at a value of 0.50.

**E43 First result (adjusted premium base)** is obtained by multiplying E38 and E42.

*Second result*

The information in E44–E55 aims to produce a basis for calculating the average value during the reference period of insurance compensations (gross) for all direct and indirect non-life insurance. The use of moving average values rather than insurance compensations for an individual year gives rise to greater stability in the required solvency margin.

The period (reference period) to which the average value relates is three years for most non-life insurance undertakings. However, undertakings that mainly provide credit insurance or insurance for one or more of the risks of storm, hail or frost have a reference period of seven years. The average value shall therefore, if possible, be calculated on the past seven years' information on insurance compensations.

Note that the undertaking can in principle calculate E56 by obtaining information on insurance compensations from each of the last three (seven) years' income statements. The information requested in E56 can be obtained by adding together the figures for the three (seven) years and then dividing by three (seven). However, this method does not work when an assignment of stock took place during the reference period will be entered directly into the balance accounts. This is because the closing provision for outstanding claims for one year is not exactly the same amount as the opening provision for the following year. The method may not be used by an insurance undertaking that carried out an assignment of stock. However, there is no problem if another insurance undertaking purchased a non-life disability annuity in the company because such a transaction is reported in the income statement. The size of the two items of premium income and insurance compensations hereby increases, which here is a measure of the risks in a non-life insurance undertaking.

Note also that if the undertaking has insurance compensations and/or technical provisions relating to insurance classes 11–13 in Chapter 2, section 11, first paragraph of the Insurance Business Act, these amounts shall be increased by 50 per cent.

**E44 Insurance compensations relating to direct insurance and accepted reinsurance during the reference period excluding classes 11–13**

Give insurance compensations before reinsurance cessions (gross) for both direct insurance and accepted reinsurance during the last three (or seven) financial years.

Insurance compensations for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act are reported separately in E45.

**E45 Insurance compensations relating to direct insurance and accepted reinsurance during the reference period for classes 11–13**

Insurance compensations for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act are stated here. The amount for insurance compensations for these classes shall be increased by 50 per cent and the total shall be entered in E46.

**E47 Provisions for outstanding claims relating to direct insurance and accepted reinsurance excluding classes 11–13 at the end of the reference period**

State the provision for outstanding claims (item DD.3 on the liabilities side of the balance sheet) at the end of the last financial year. If another insurance undertaking has purchased a non-life disability annuity in the undertaking during the year, the provision for this shall be reported in the income statement and it shall be included in a closing provision for outstanding claims.

Note that provision for outstanding claims for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act are reported separately in E48.

**E48 Provisions for outstanding claims relating to direct insurance and accepted reinsurance for classes 11–13 at the end of the reference period**

Closing provisions for outstanding claims at the end of the reference period for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act are stated here. The amount for provisions for outstanding claims for these classes shall be increased by 50 per cent and the total shall be entered in E49.

**E50 Recovered amounts excluding classes 11–13**

State only any realised claims paid and amounts recovered that have not already been taken into account when calculating E44.

**E51 Recovered amounts in classes 11–13**

State realised claims paid and amounts recovered for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act. The amount for claims paid and amounts recovered for the classes shall be increased by 50 per cent and the total shall be stated in E52.

**E53 Provisions for outstanding claims relating to direct insurance and accepted reinsurance excluding classes 11–13 at the beginning of the reference period**

State the opening provision for outstanding claims for the first year of the reference period. The provision shall therefore include provision for stocks that were assigned to the undertaking at the beginning of the reference period.

**E54 Provisions for outstanding claims relating to direct insurance and accepted reinsurance for classes 11–13 at the beginning of the reference period**

State the opening provision for outstanding claims at the beginning of the reference period for insurance classes 11–13 in accordance with Chapter 2, section 11, first paragraph of the Insurance Business Act. The amount for provisions for outstanding claims for these insurance classes shall be increased by 50 per cent and the total shall be stated in E55.

**E57 Total insurance compensations divided by the number of years in the reference period**

The result of the calculation is the average value (per year) of the insurance compensations during the reference period, three or seven years, with an adjustment for classes 11–13.

**E58 and E59**

The total of E55 for the reference period divided by the number of years in the reference period forms the basis for the calculation of items E58 and E59.

The part which is equal to or below the equivalent of EU Threshold Value 2 is multiplied by 0.26 and reported in E58.

When the basis is greater than the equivalent of EU Threshold Value 2, the surplus amount is multiplied by 0.23 and reported in E59.

Amounts expressed in EUR are revised on an annual basis by the European Commission so that they reflect changes in the European consumer price index. The most recent change in the threshold value when calculating the claims basis (EU Threshold Value 2) entered into force on 1 January 2010. Information on the amount is available at Finansinspektionen's website, [www.fi.se](http://www.fi.se).

The Euro exchange rate used in the conversion to SEK is stated in Finansinspektionen's regulations regarding the Euro exchange rate.

**E61** The value is equal to E39.

**E62** The value is equal to E40.

**E63** The value is equal to E41.

**E64** The ratio in E63 is used if it is greater than 0.50. Otherwise, 0.50 is used.

**E65 Second result (adjusted claims basis)** is calculated by multiplying the values for E60 and E64.

**E66–E74 Required solvency margin – Comparison with the previous year's solvency margin**

Compare the solvency margin calculated for the year, i.e. the adjusted premium or adjusted claims basis, whichever is the higher, with the solvency margin for the previous year.

If the solvency margin calculated for the year is higher than the previous year's solvency margin, it is stated in E70 and reported as a solvency margin in E77 in the summary.

If the solvency margin calculated for the year is lower than the previous year's solvency margin, the solvency margin for the year is determined by multiplying the previous year's solvency margin by the ratio between closing and opening provisions for the undertaking's outstanding claims on own account. This amount is entered as the solvency margin in E77 in the summary. The ratio in E73 may not exceed 1.0 pursuant to Chapter 7, section 11 of the Insurance Business Act.

#### *Guarantee amount*

##### **E75 Guarantee amount in EUR**

The guarantee amount in Euro which applies to the undertaking is stated in Chapter 7, sections 17–19 of the Insurance Business Act. The size of the guarantee amount depends on the insurance classes the business is included in and the size of the reinsurance. For insurance undertakings which only conduct direct non-life insurance business, the guarantee amount is EU Guarantee Amount 1 or EU Guarantee Amount 2 (any of the classes 10-15). For an insurance undertaking which only conducts reinsurance (non-life or life), the guarantee amount is EU Guarantee Amount 2. For an insurance undertaking conducting both direct non-life insurance business and reinsurance business, the guarantee amount is EU Guarantee Amount 1 or 2.

Amounts expressed in EUR are revised on an annual basis by the European Commission so that they reflect changes in the European consumer price index. The supervision of the guarantee amount for direct insurance and reinsurance may take place at different times. The latest change in the guarantee amount for direct insurance entered into force on 1 January 2010.

The Euro exchange rate used in the conversion to SEK is stated in Finansinspektionen's regulations regarding the Euro exchange rate.

##### **E76 Guarantee amount converted to SEK thousand**

The undertaking's available solvency margin must always at least equal the guarantee amount. In order to be able to compare the two figures, the guarantee amount must be converted to SEK. The Euro exchange rate used in the conversion to SEK in the solvency calculations is stated in Finansinspektionen's regulations regarding the Euro exchange rate.

In some cases, the guarantee amount for a smaller undertaking is much higher than the required solvency margin applying to the undertaking at a particular time (which is calculated with the aid of the form). However, the undertaking's available solvency margin (in SEK thousand) must at least equal the guarantee amount (in SEK thousand).

Where particular grounds exist, Finansinspektionen may allow the guarantee amount for a mutual insurance company to be reduced by a maximum of one-fourth. A specific application is required for this. Subject to a decision by Finansinspektionen, the lower guarantee amount is stated on the last page of the form.