Appendix 2

Instructions for the form "Declaration of group available and required solvency margins"

All amounts shall be specified in SEK thousand without a decimal point and rounded in accordance with applicable rules. Amounts below SEK 500 are reported as 0.

A. General information

The first page of the form contains specific information that must be submitted to Finansinspektionen. Mark the box that applies.

B. Default method (deduction and aggregation method)

– This page contains aggregate sums from all of the undertakings included in the group solvency report. The information for each individual undertaking included in the report is listed under tab D, Basis for the calculation using the default method.
– When applying the default method, the report only includes insurance undertakings and insurance holding undertakings. However, note that the elimination made for reciprocal financing in accordance with that set out below also takes into account other undertakings in the insurance group.
– When applying the default method, the financial accounts of foreign subsidiary undertakings prepared in accordance with local accounting principles may be used if they have not been adjusted to take into consideration Swedish accounting principles. The items that may be used from these accounts to calculate the group available and required solvency margins, however, are presented below.

B1 Available solvency margin before eliminations
Items that may be included in the available solvency margin for each insurance undertaking are set out in Chapter 7, sections 2 and 3, section 17, second paragraph, first sentence and section 18, second paragraph, first sentence and Chapter 9, section 4, first paragraph of the Insurance Business Act (2010:2043) and, where applicable, Finansinspektionen's regulations regarding Swedish insurance undertakings' obligation to report data from the annual report.

The amount of the available solvency margin before eliminations that consists of equity shall be disclosed.

B3 Book value of shares in associated and subsidiary insurance undertakings
Each insurance undertaking included in the reporting of group available and required solvency margins shall deduct the book value of its shares and participations in other undertakings also included in the reporting. Shares in owned insurance holding companies shall also be eliminated.

B4 Subordinated loans
Refers to subordinated loans between undertakings included in the reporting of group available and required solvency margins.

B5 Reciprocal financing
Refers to all types of reciprocal financing within an insurance group as defined in Chapter 9, sections 1 and 2 of the Insurance Business Act. Thus, it also refers to undertakings not included in the reporting of the group available solvency margin

but that are part of the extended insurance group as set out in Chapter 9, section 2 of the Insurance Business Act.

One example is an undertaking included in the reporting that is a lender and a borrower for a subordinated loan for the same amount to a counterparty in the insurance group not included in the reporting of the solvency of the group. This means that the available solvency margin of the undertaking included in the reporting increased without any new external capital being contributed to the insurance group.

B6 Deduction since the sum of certain items may not exceed the required solvency margin in each subsidiary and associated undertaking
According to section 7 of these regulations, certain items may be included in the available solvency margin but not at a higher value than what corresponds to the required solvency margin in each subsidiary and associated insurance undertaking. Deductions shall be made in such a manner that the items do not result in a surplus in the group solvency calculation.

This type of deduction shall be made when taking into account a life insurance undertaking whose profits are not available to the group (non-profit-distributing). Even undertakings which are profit-distributing but are owned by undertakings which are non-profit-distributing and the profit or loss of which therefore cannot be made available to the group shall make deductions in such a manner that the items do not result in a surplus in the group solvency calculation.

B7 Other deductions
Deductions that cannot be placed under any of the other headings but refer to situations that could give rise to double utilisation of items in the available solvency margin unless a deduction is made shall be made here. Deductions in accordance with Chapter 7, section 4 and section 5, first sentence of the Insurance Business Act for the book value of shares and contributions in certain undertakings, for example, are reported in B7.

B9 Group required solvency margin
The required solvency margin for each insurance undertaking shall be calculated pursuant to Chapter 7, sections 7–16 of the Insurance Business Act and, where applicable, Finansinspektionen's regulations regarding Swedish insurance undertakings' obligation to report data from the annual report.

When calculating the group required solvency margin, a solvency requirement is not determined for insurance holding companies.

C. Accounting consolidation-based method

When using the accounting consolidation-based method, the report is based on the information in the group accounts. This means that undertakings which are not insurance undertakings are also included.

C1 Available solvency margin according to the group accounts
The items that may be included in the available solvency margin pursuant to Chapter 7, sections 2 and 3, section 17, second paragraph, first sentence and section 18, second paragraph, first sentence of the Insurance Business Act and, where applicable, Finansinspektionen's regulations regarding Swedish insurance undertakings' obligation to report data from the annual report shall be taken from the prepared group accounts.

If a subsidiary that is not wholly owned is fully consolidated and as a result there is a minority interest, the entire minority interest may be included in the group available solvency margin.

Deferred tax arising in the group accounts for untaxed reserves that may be included in the available solvency margin in the solvency declaration for individual undertakings may be included in the reporting of the group available solvency margin.

Regardless of which accounting rules are applied, when calculating solvency, intangible assets refer to assets that are attributable to B. Intangible assets in the balance sheet.

C2 Of which conversion adjustment
The total adjustment of opening balances in items in equity as a consequence of the undertaking's first application of new or amended international accounting standards in accordance with Finansinspektionen's regulations and general guidelines (FFFS 2008:26) regarding annual reports at 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 shall be stated on the "Of which conversion adjustment" line.

C3 Available solvency margin for undertakings included in the insurance group but not consolidated in the group accounts
The available solvency margin for undertakings included in the reporting of group available and required solvency margins but not consolidated in the group accounts is added separately.

Examples of this type of undertaking include life insurance undertakings that may not distribute profits. Profit-distributing undertakings owned by non-profit-distributing undertakings and therefore not consolidated in the group accounts shall be taken into account.

Eliminations not already taken into account in the group accounts

Most items that could be utilised twice in the available solvency margin should normally be eliminated in the group accounts on which the reporting is based. However, items referring to participation in undertakings included in the reporting of group available and required solvency margins but that have not been consolidated in the group accounts must be eliminated separately.

C6 Book value of shares in associated and subsidiary insurance undertakings
Elimination of the book value of shares in undertakings not consolidated in the group accounts but included in the group solvency calculation, e.g. shares in life insurance undertakings that may not distribute profits.

Shares in subsidiary insurance holding companies shall also be eliminated, if this has not already occurred in the group accounts.

C7 Subordinated loans
Refers to subordinated loans between undertakings included in the reporting of group available and required solvency margins not already eliminated from the group accounts.

C8 Reciprocal financing

Refers to all types of reciprocal financing within an insurance group as defined in Chapter 9, sections 1 and 2 of the Insurance Business Act that were not previously eliminated when preparing the group accounts. This also refers to undertakings not included in the reporting of the group available solvency margin but that are a part of the extended insurance group as set out in Chapter 9, section 2 of the Insurance Business Act.

One example is an undertaking included in the reporting that is a lender and a borrower for a subordinated loan for the same amount to a counterparty in the insurance group but is not included in the reporting of group solvency. As a result, the available solvency margin has increased in the undertaking included in the reporting without any new external capital being contributed to the insurance group.

C9 Deduction since the sum of certain items may not exceed the required solvency margin in each subsidiary and associated insurance undertaking
According to section 7 of these regulations, certain items may be included in the available solvency margin but not at a higher value than what corresponds to the required solvency margin in each subsidiary and associated insurance undertaking. Deductions shall be made in such a manner that the items do not result in a surplus in the group solvency calculation.

This type of deduction shall be made when taking into account a life insurance undertaking whose profits are not available to the group (non-profit-distributing). Profit-distributing undertakings owned by non-profit-distributing undertakings and the profit or loss of which therefore cannot be made available to the group as a whole shall make deductions in such a manner that the items do not result in a surplus in the group solvency calculation.

C10 Other deductions
Deductions that cannot be placed under any other heading but refer to situations giving rise to double utilisation of items in the available solvency margin unless a deduction is made shall be made here.

Deductions in accordance with Chapter 7, section 4 and section 5, first sentence of the Insurance Business Act for the book value of shares and contributions in certain undertakings, for example, are reported in C10.

C12 Cash flow hedge adjustment
The available solvency margin shall be adjusted for reported changes in value in equity if these changes relate to derivative instruments which are included in cash flow hedges for assets and liabilities.

C13 Reclassified items
The available solvency margin may include items which according to accounting rules for a legal person would have been classified as equity, but which under IFRS are classified as liabilities.

The available solvency margin may not include items which according to accounting rules for a legal person would have been classified as liabilities, but which under IFRS are classified as equity.

IFRS refers to international accounting standards that have been adopted by the European Commission in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Examples of items that may be reclassified include:
1. Preference shares classified as equity in the accounting of a legal person but which may be classified as liabilities under IFRS.
2. Embedded derivatives which are reported as part of an instrument classified as a liability, but which under IFRS may be classified as equity.

C14 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 a change in own creditworthiness. This applies to financial liabilities valued at fair value on the basis of the so-called "fair value option" in IAS 39 Financial Instruments: Recognition and Measurement.

C15 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 the pension liabilities or other employee benefits related thereto, the difference shall be deducted from the available solvency margin after deferred taxes have been taken into account. However, this does not apply to surpluses in a pension fund 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 employees benefits which are not reported directly on the balance sheet or covered by related plan assets or corresponding payments in accordance with insurance contracts. However, this does not apply if employees benefits are reported in the balance sheet to an amount of at least that which would have been reported if the undertaking would have applied a method of calculation 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.

C17/C18 Group required solvency margin
There are two methods for calculating the group required solvency margin when using the accounting consolidation-based method.

The required solvency margins for each undertaking included in the reporting are either aggregated (option 1) or a new required solvency margin is calculated based on the information in the group accounts (option 2). If option 2 is applied, a supplement shall be added for the required solvency margin in undertakings included in the reporting of group available and required solvency margins but not consolidated in the group accounts, e.g. life insurance undertakings that may not distribute profits.

Regardless of which option is used, Chapter 7, sections 7–16 of the Insurance Business Act and, where applicable, Finansinspektionen's regulations regarding Swedish insurance undertakings' obligation to report data from the annual accounts are applied when calculating the required solvency margin.