

# Finansinspektionen's Regulatory Code

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## **Finansinspektionen's general guidelines regarding technical provision risks in insurance undertakings;**

**FFFS 2011:6**

Published on  
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decided on 17 March 2011.

Finansinspektionen provides the following general guidelines.

### **Scope**

These general guidelines apply to the management of technical provision risks in insurance undertakings and apply to both direct insurance and accepted reinsurance. The general guidelines are intended to apply to non-life insurance, but also apply to life insurance where applicable.

Systems for identifying, controlling and monitoring technical provision risks may be designed differently in different insurance undertakings given the risks which are important for each undertaking's operations. These general guidelines are therefore formulated in general terms.

The basis for these general guidelines is the requirement set out in Chapter 2, section 4 and Chapter 14, section 2 of the Insurance Business Act (2010:2043) that the operations of an insurance undertaking are conducted in accordance with the Insurance Business Act and other regulations regulating the insurance undertaking's operations.

The following definitions are used in these general guidelines:

*allocation for technical provisions*: valuation of an insurance undertaking's liability for

1. insurance claims, management costs and other costs during the remaining term of the agreement for active insurance policies in non-life insurance business (unearned premiums and outstanding risks) and in life insurance business (life insurance provision), and
2. outstanding insurance claims arising and costs for adjusting them,

*technical provision risks*: risks that the undertaking's liability is underestimated.

### **Instructions regarding allocations for technical provisions**

The undertaking's board of directors should ensure that instructions are prepared regarding the undertaking's allocations for technical provisions. The instructions should be formulated in such a manner as to take into account differences between different risk or product groups. The instructions should also ensure that the

allocations for technical provisions and the risks associated thereto are subject to satisfactory control, identification and monitoring.

The instructions should be continually reviewed and adapted to reflect changes affecting the undertaking's operations.

### **Decision-making procedures and authorisation**

The instructions should contain decision-making procedures for the establishment of reserves. Furthermore, they should contain information on the authorisations and responsibilities assigned to each role in the decision-making procedure.

### **Reserving**

The instructions should state for both direct insurance and accepted reinsurance how a provision should be calculated for insurance claims, management costs and other costs during the remaining term of the contract for current insurance policies in non-life insurance business (unearned premiums and outstanding risks) and life insurance business (life insurance provision).

The instructions should clearly state for direct insurance how the type of claim, the anticipated insurance payment and the anticipated adjustment period are taken into account for allocations for technical provisions related to occurred and reported insurance claims. For example, the instructions should state the extent to which a standard amount may be used instead of an individual valuation and how the standard amounts that are used are to be documented.

The instructions should also state which methods are to be used when making allocations for technical provisions for incurred but not reported insurance claims.

For accepted reinsurance, the instructions should set out the principles for how information from the issuing undertakings with regard to allocations for technical provisions should be assessed, primarily in relation to any need to strengthen provisions.

If there is uncertainty with regard to the undertaking's obligation to indemnify occurred insurance claims, the instructions should clearly state how such uncertainty is to be taken into account in allocations for technical provisions.

### **Registration**

The undertaking should establish a system and decide on procedures for the registration of insurance claims.

Insurance claims should be registered as soon as possible.

The registration should state when the claim occurred, when the claim was registered, the anticipated insurance compensation, the date of the most recent estimation and the identity of the administrator. It should be possible to obtain from the registration information regarding payments made, changes to reserves and current reserves.

If case reserves are used, the register should contain information about current reserves.

### **Documentation**

The instructions should state how information that is of importance for the reserving should be documented and otherwise handled.

### **Monitoring and analysis**

The undertaking should have procedures for analysing its reserving.

A technical provision may need to be re-assessed after a certain period of time. Principles and intervals for such reassessment should be set out in the instructions.

### **Reporting**

The undertaking should establish procedures to guarantee that the board of directors and the managing director receive structured, appropriate information regarding allocations for technical provisions and the risks associated with them.

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These general guidelines shall enter into force on 1 May 2011, whereupon Finansinspektionen's general guidelines (FFFS 2000:4) regarding technical provisions risks in insurance companies shall be repealed.

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