

# Finansinspektionen's Regulatory Code

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## **Regulations amending Finansinspektionen's regulations and general guidelines (FFFS 2015:12) regarding annual reports at insurance undertakings;**

**FFFS 2017:17**

Published on  
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decided on 11 September 2017.

Finansinspektionen prescribes pursuant to sections 4, 5, 7 and 8 of the Annual Reports at Credit Institutions, Securities Companies and Insurance Undertakings Ordinance (1995:1600) and section 19b of the Foreign Branch Offices Ordinance (1992:308) that Chapter 1, sections 1 and 2, Chapter 4, section 4, section 52 of Appendix 3 and sections 2 and 3 of Appendix 4 of Finansinspektionen's regulations and general guidelines (FFFS 2015:12) regarding annual reports at insurance undertakings shall have the following wording.

Finansinspektionen also provides the following general guidelines.

### **Chapter 1**

**Section 1** These regulations and general guidelines shall be applied by insurance companies, mutual insurance companies and insurance associations subject to the Insurance Business Act (2010:2043) unless otherwise specified in the fifth paragraph.

The regulations set out in sections 2 and 3 and in Chapters 7 and 8 apply to such financial holding companies which, in accordance with Chapter 1, section 1, second paragraph of the Annual Reports for Insurance Undertakings Act (1995:1560), shall apply Chapter 7 of the same act when preparing consolidated accounts.

The regulations set out in sections 2 and 3, Chapters 2–4 and Chapter 6 apply to the branches of foreign insurance undertakings that shall apply the Annual Reports for Insurance Undertakings Act when preparing their annual reports in accordance with Chapter 6, section 3a of the Accounting Act (1999:1078). The regulations set out in Chapters 2–4 apply for branches of foreign insurance undertakings that shall apply the Annual Reports for Insurance Undertakings Act when preparing their annual accounts in accordance with section 6, section 3b of the Accounting Act (1999:1078).

The regulations set out in sections 2 and 3 and Chapters 2–4 are also applied to annual accounts prepared for business related to non-life insurance or reinsurance for non-life insurance that is conducted from a fixed establishment by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act and are applied in an equivalent manner as set out in that section.

These regulations and general guidelines shall not be applied by mutual insurance companies and insurance associations that received an exemption in accordance with Chapter 1, section 1, third paragraph of the Annual Reports for Insurance Undertakings Act to apply simplified annual report regulations. This applies unless otherwise specified in Finansinspektionen's regulations and general guidelines regarding simplified annual reports at insurance undertakings that are granted exemption.

These regulations and general guidelines shall not be applied by such special purpose vehicles as those referred to Chapter 1, section 12, point 11 of the Insurance Business Act.

#### *General guidelines*

The addition to the fourth paragraph means that these regulations and general guidelines are applied in the same way for a branch. Each non-life insurance undertaking that conducts business through general representation is considered to be an independent branch in relation to other non-life insurance undertakings that conduct business through the same general representation. See Chapter 4, section 8 of the Accounting Act.

**Section 2** In these regulations and general guidelines, the following definitions apply:

1. *direct insurance undertaking*: insurance undertakings that conduct, exclusively or primarily, direct insurance business,

2. *insurance contract*: insurance contracts as defined in approved international accounting standards, traditional life insurance contracts and other contracts regarding insurance that may be recognised as insurance contracts in accordance with international accounting standards, cf. IFRS 4 Insurance Contracts,

3. *insurance undertaking*: insurance companies, mutual insurance companies, insurance associations, financial holding companies when they apply the rules on consolidated accounts, and branches and business conducted from a fixed establishment by general agents or general representation when they apply the rules regarding annual reports or annual accounts, unless otherwise specified,

4. *approved international accounting standards*: 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 (the IAS Regulation),

5. *international accounting standards*: International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), interpretations from Standing Interpretations Committee (SIC) and interpretations from IFRS Interpretations Committee (IFRIC Interpretations),

6. *investment contract*: agreements regarding insurance recognised as financial instruments in accordance with IFRS 9 Financial Instruments,

7. *listed insurance undertaking*: insurance undertakings covered by Article 4 of the IAS Regulation,

8. *unlisted insurance undertaking*: insurance undertakings that are not listed insurance undertakings, and

9. *occupational pension insurance*: life insurance which is linked to a professional activity and in which the disbursement of the insurance amount (a lump sum or periodic disbursement) depends on one or more persons reaching or being expected to reach a particular age and insurance policies issued as supplements to such life insurance policies.

#### *General guidelines*

The definition of insurance contract is only of significance to reporting in accordance with these regulations and general guidelines. Hence, the definition may not directly form the basis of supervisory reporting or application of business regulations pursuant to other regulations and general guidelines.

The insurance undertakings that are covered by Article 4 of the IAS Regulation are undertakings whose securities are admitted to trade on a regulated market in the European Economic Area (EEA).

## **Chapter 2**

### **Application of international accounting standards**

#### *General guidelines*

1. All insurance undertakings should apply approved international accounting standards, unless legislation, other directives or these regulations and general guidelines require otherwise.

| The following clarification is provided for the following standards:

IAS 33 Earnings Per Share. This standard only needs to be applied by insurance undertakings covered by the standard's scope.

| IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts. An insurance undertaking that applies the time-limited exception in IFRS 4 to its application of IFRS 9 during the period and instead of what is stated regarding IFRS 9 in these regulations and general guidelines and in RFR 2 Accounting for Legal Entities should apply the corresponding provisions in IAS 39. The time-limited exception is granted in accordance with points 20A–20K of IFRS 4.

| International accounting standards that are not approved may be applied to the extent they do not conflict with approved standards, legislation, other directives or these regulations and general guidelines.

2. All insurance undertakings should apply the RFR 2 Accounting for Legal Entities recommendation from the Swedish Financial Reporting Board unless otherwise regulated by legislation, other directives or these regulations and general guidelines.

Statements from the Swedish Financial Reporting Board should be applied in the same manner as RFR 2, unless otherwise regulated by legislation, other directives or these regulations and general guidelines.

3. In addition to that set out in point 2, international accounting standards are applied with the following limitations on the basis of the Annual Reports at Insurance Undertakings Act (1995:1560):

a) Undertakings are not reported as parent companies and subsidiaries if there is no ownership. See Chapter 1, section 3 of the Annual Reports at Insurance Undertakings Act and Chapter 1, section 4 of the Annual Accounts Act (1995:1554). If an undertaking does not hold a participation, but still has a determining influence over another undertaking, the first undertaking should make additional disclosures to give a fair presentation. See Chapter 2, section 2 of the Annual Reports at Insurance Undertakings Act and Chapter 2, section 3 of the Annual Accounts Act. In such a case, the other undertaking should state which undertaking has a controlling influence without participation and how the influence can be exerted.

b) The reporting of an instrument or its parts as a liability or equity in accordance within the financial meaning of the conditions is not applied by the issuer to the extent the instrument refers to what shall be classified as equity in accordance with laws or other directives. See Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act and Chapter 3, sections 10a and 10b of the Annual Accounts Act. The issuer should specify in a note disclosures about the classification in accordance with the financial meaning.

c) Investments for which policy holders bear the risk in accordance with the Annual Reports at Insurance Companies Act shall always be measured at fair value. See Chapter 4, section 2 of the same act.

d) Deferred acquisition costs for insurance agreements, in accordance with the Annual Reports at Insurance Companies Act and under certain conditions, shall be reported as an asset. See Chapter 4, section 8 of the same act.

e) Impairments made before the entry into force of the Annual Reports at Insurance Undertakings Act may not be reversed. See point 5 of the transition provisions for the implementation of the Annual Accounts Act. Disclosures stating that an impairment has not been reversed for this reason and an estimation of the effect on the undertaking's position and earnings should be provided in a note.

f) IFRS 8 Operating Segments does not need to be applied to the annual report regardless of whether the undertaking prepares consolidated accounts or not. For insurance undertakings whose business covers several lines of insurance, there are instead rules regarding the earnings analysis set out in Chapter 2, section 1 and Chapter 6, section 3 of the Annual Reports at Insurance Undertakings Act and Chapter 6, section 3 of these regulations and general guidelines.

g) Information regarding significant risks and uncertainty factors arising from the undertaking shall be disclosed in the directors' report in accordance with Chapter 6, section 1 of the Annual Reports at Insurance Undertakings Act. These disclosures shall also include information that should be disclosed in accordance with IFRS 4 regarding the nature and scope of risks

arising from insurance contracts. In accordance with IFRS 4, this information shall be disclosed in a note. The information may be disclosed in the directors' report if a note contains a reference to the location of the information.

h) Information about equity in accordance with Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act does not need to be provided in a note insofar as the information is included in a statement of changes in equity or in a statement that specifies other comprehensive income, if a disclosure is provided in a note that refers to the statement.

4. In addition to points 2 and 3, international accounting standards, the RFR 2 Accounting for Legal Entities recommendation from the Swedish Financial Reporting Board and statements from the Swedish Financial Reporting Board are applied with the following adjustments:

a) Spot purchases and sales should be reported on the date of transaction even if this is not required by law. In terms of transactions on the Swedish market, spot purchases and spot sales entail contracts with delivery within two business days on the money and bond market, equity market, commodities market and foreign exchange market.

b) An insurance undertaking may remeasure Investment Assets (C) which are not financial instruments at fair value pursuant to special provisions in the Annual Reports at Insurance Undertakings Act. Land and Buildings (C.1) can therefore be measured at fair value if all assets in the item are measured in the same manner. See Chapter 4, section 5 of the same act. Owner-occupied property may, as an exception from international accounting standards, be recognised and valued in the same way as investment property. If the exemption is utilised, disclosures regarding an alternative measurement based on acquisition cost in accordance with Chapter 4, section 7 of the same act should be provided broken down into owner-occupied property and investment property.

c) That set out with regard to retained earnings in international accounting standards or the Swedish Financial Reporting Board's recommendations should instead refer to the Consolidation Reserve in life insurance undertakings that may not distribute profits, see Chapter 3, section 4 of the Annual Reports at Insurance Undertakings Act.

d) Held-for-trade securities in accordance with IFRS 9 Financial Instruments should be reported as Held for trading purposes in accordance with the Annual Accounts Act.

e) An insurance undertaking should not apply point 2 regarding IFRS 9 in RFR 2 Accounting for Legal Entities.

f) Insurance undertakings may apply the easement regulations in IFRS 1 First Time Adoption of International Financial Reporting Standards insofar as this application is in line with point 1 regarding IFRS 1 in RFR 2 Accounting for Legal Entities.

g) Insurance undertakings applying the exemption from IAS 19 Employee Benefits in RFR 2 Accounting for Legal Entities and reporting defined-benefit pension schemes in accordance with the principles stated therein may

also report the portion of the pension cost for the year that consists of interest as an operating expense in accordance with Chapter 3, section 5.

Regardless of that set out in approved international accounting standards or RFR 2, neither IAS 19 nor point 1 regarding IAS 19 in RFR 2 need to be applied to insurance undertakings' insurance contracts with regard to remuneration after terminated employment for own employees, cf. IFRS 4, point 4b, IFRS 7, point 3b, IAS 32, point 4b and IAS 9, point 2.1c. If the exception is utilised, the contracts are instead reported in accordance with the rules for insurance contracts or, where applicable, the rules for investment or service contracts.

h) An insurance undertaking should not apply point 1 regarding IAS 32 in RFR 2 Accounting for Legal Entities with regard to classification of a financial instrument as a liability or equity. Point 3b should be applied instead.

5. The following applies to an unlisted insurance undertaking whose balance sheet total for the two most recent financial years does not exceed 1,000 basic amounts in accordance with Chapter 2, section 7 of the Social Insurance Code (2010:110):

a) The undertaking does not need to prepare a cash flow statement, cf. IAS 1 Presentation of Financial Statements.

b) The undertaking only needs to provide disclosures in accordance with approved international accounting standards:

- IFRS 4 Insurance Contracts,
- IFRS 7 Financial Instruments: Disclosures,
- IFRS 13 Fair Value Measurement,
- IAS 1 Presentation of Financial Statements, in the section on capital disclosures, and
- IAS 40 Investment Property, with the addition made in point 3 in relation to IAS 40 in RFR 2 Accounting for Legal Entities.

The rules set out in the first paragraph should not be applied if the insurance undertaking

- prepares or is included in consolidated financial statements,
- has an international connection, or
- is a life insurance undertaking conducting business related to occupational pension insurance.

The undertaking should specify in its statement on applied accounting principles whether it has applied these rules.

In the second paragraph, *an international connection* means that the undertaking

- conducts cross-border operations or has a foreign branch,
- is included in the same group as at least one foreign financial undertaking (an insurance undertaking, a credit institution or a securities company), or

– has operations related to non-life insurance or reinsurance of non-life insurance that are conducted from a fixed establishment by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act (1999:1078).

Irrespective of the first paragraph, branches of a foreign undertaking do not need to make any disclosures in accordance with approved international accounting standards or RFR 2 Accounting for Legal Entities.

The exception in the fifth paragraph may also be applied to business relating to non-life insurance or reinsurance of non-life insurance that is conducted fixed establishment by general agents or general representation in accordance with Chapter 2, section 8 of the Accounting Act.

## Chapter 4

**Section 4<sup>1</sup>** When an insurance undertaking capitalises acquisition costs for underwriting, the following applies.

Acquisition costs refer to operating costs in accordance with section 10 of Appendix 4, (a Acquisition Costs), that vary with and are directly or indirectly related to the signing or renewal of insurance contracts. Operating costs that are general in nature, such as costs for general marketing, shall not be included in the calculation.

The insurance undertaking shall only capitalise acquisition costs for insurance contracts, or homogeneous groups of contracts that can be followed up, that are judged to generate a margin that as a minimum covers the acquisition costs.

Insurance undertakings conducting life insurance business shall prepare a plan showing how capitalised acquisition costs for individual agreements or homogeneous and groups of contracts that can be followed up shall be covered. The conditions for the plan shall be reviewed annually. Unless otherwise set out in the second and third paragraphs, the capitalisation of acquisition costs shall be based on the current plan.

### *General guidelines*

Examples of operating expenses that can be capitalised include:

- commissions for sales personnel and insurance brokers,
- costs for marketing of insurance products,
- salaries and other costs for sales personnel,
- costs for administration of new insurance contracts, and
- costs for underwriting.

An insurance undertaking should also capitalise acquisition costs related to investment contracts, cf. Chapter 4, section 8 of the Annual Reports at Insurance Undertakings Act (1995:1560).

<sup>1</sup> The amendment entails in part that the first paragraph of the general guidelines has been removed.

Expenses for IT systems for new insurance products should not be capitalised as deferred acquisition costs. The conditions under which such costs may be reported as an intangible asset are covered in international accounting standards, cf. IAS 38 Intangible Assets.

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1. These regulations and general guidelines shall enter into force on 1 October 2017.

2. The provisions set out in Chapter 1, section 1 and Chapter 2 general guidelines point 5b are initially applied to annual accounts and annual reports that are prepared as of 31 December 2017. Other provisions are initially applied to annual accounts, annual reports and consolidated accounts prepared for financial years commencing immediately after 31 December 2017 and to interim reports prepared for parts of such a financial year.

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## Appendix 3

**Section 14 Item C.III.6a — Derivatives.***General guidelines*

This item includes derivatives that have a positive value, cf. IFRS 9 Financial Instruments.

Derivatives with a positive value and derivatives with a negative value may be reported net if there is a legal right to offset the amounts and the items will be settled as a net amount, cf. IAS 32 Financial Instruments: Presentation.

The provisions in Chapter 3, section 1 entail that equity- and interest-linked derivatives may be reported separately from underlying instruments. However, this does not apply to Subscription rights (subscription options) and fractional rights reported in accordance with sections 6 and 8.

**Section 16 Item C.IV – Deposits with undertakings that ceded reinsurance.**

Insurance undertakings that have accepted reinsurance shall, in this item, report either amounts owned by the ceding party or third party or amounts withheld by such an undertaking equalling the value of the funds deposited with the undertaking. The receivable may not be combined with other amounts owed by, or be offset against any liabilities to, the ceding party.

Securities deposited with the ceding party shall be reported in each sub-item under investment assets.

*General guidelines*

Securities deposited are also stated as pledged collateral.

The ban on reporting the receivable net against other liabilities to the ceding party is also applied even if it entails a deviation from approved international accounting standards, cf. IAS 32 Financial Instruments: Presentation.

Insurance undertakings that have accepted reinsurance should assess whether transferred financial assets should be derecognised from the balance sheet, cf. IFRS 9 Financial Instruments. If the transferred financial assets should not be derecognised, they are considered to be deposited with the ceding party and reported in the relevant sub-item under investment assets. If the counterparty has the right by contract or custom to sell or pledge the collateral, the ceding party should reclassify the asset and report it separately from other assets in its balance sheet, cf. IFRS 9 Financial Instruments.

**Section 52 Item GG – Deposits from reinsurers.** Insurance undertakings that have ceded reinsurance shall, in this item, report an amount that equals the value of cash or other instruments of value deposited by insurance undertakings that accepted reinsurance according to reinsurance contracts or withheld by the insurance undertaking for the same reason.

The insurance undertaking that received the instrument of value may not, irrespective of whether or not it is registered as the owner, report any amount other than what the undertaking owes according to the deposit.

*General guidelines*

Insurance undertakings that have ceded reinsurance should assess whether transferred financial liabilities should be entered in the balance sheet in accordance with IFRS 9 Financial Instruments, cf. item C.IV – Deposits to cedants.

**Section 54 Item HH.III – Bond loans.** The item includes bond loans and convertible loans that the insurance undertaking has in circulation.

*General guidelines*

If an issuer of a debt instrument repurchases this instrument, the debt is extinguished, even if the single issuer intends to resell it in the near future, cf. IFRS 9 Financial Instruments.

**Section 55 Item HH.IV.a — Derivatives.**

*General guidelines*

This item includes derivatives that have a negative value, cf. IFRS 9 Financial Instruments.

The provisions in Chapter 3, section 1 entail that equity- and interest-linked derivatives may be reported separately from underlying instruments.

*Appendix 4*

**Section 2 Item I.1.a — Premium income (before ceded reinsurance).** Insurance undertakings that conduct non-life insurance business shall, as premium income, report the total gross premium for direct insurance and accepted reinsurance that has been paid in or which may be credited to the undertaking for insurance contracts for which the insurance period commenced before the close of the financial year.

Premium income also includes premiums for insurance periods that do not commence until after the close of the financial year, if they contractually fall due for payment during the financial year.

*Gross premium* means the contractually determined premium for the entire insurance period, less customary customer rebates. The gross premium includes, inter alia

- a) premiums for which notification has not been provided that can only be calculated after the close of the financial year,
- b) forward premiums paid in on a six-monthly, quarterly or monthly basis and compensation from policyholders for expenses incurred by the insurance undertaking in connection with entering the insurance contract,
- c) the undertaking's share of the total premium amount in co-insurance,
- d) compensation from other insurance undertakings pertaining to technical provisions taken over pursuant to Chapter 2, section 2 that are not reported in the balance sheet, and
- e) reinsurance premiums from the ceding undertaking and retroceding undertaking, including portfolio premiums, less
  - reinsurance premiums that have been repaid or credited to the ceding undertaking and retroceding undertaking in the event of portfolio retraction or change in the share of reinsurance contracts, and
  - cancellations.

Renewal premiums that are not confirmed by the policyholder and premiums for new insurance contracts shall be included in the amounts they are expected to bring.

Cancellations shall be deducted from premium income as soon as the amount is known. Additional premiums shall be included in the amount they are expected to bring.

The item shall be reported excluding tax and other public fees charged to the insurance premium.

Income from contracts regarding insurance that refers to investment contracts is not reported here.

*General guidelines*

The amounts that can be ascribed to the financial year are determined by the content of each contract, irrespective of whether or not notification has been given of the premiums at the time the accounts are closed. As premium income, the insurance undertaking enters all premiums for which liability has commenced. According to the first paragraph, the insurance undertaking bears liability when the insurance period has commenced or the premium has

fallen due for payment. An example of the latter is certain consumer insurance policies (TV/radio and white goods) entered and paid for when the purchase is made, despite the insurance protection only commencing when the customary warranty period has expired.

The period during which the insurance undertaking bears liability is normally specified in the insurance contract. For a forward premium, for which notification is given and/or which falls due for payment only after the close of the financial year, the question of liability is determined by whether an equivalent forward can be considered to be a new insurance contract or a partial payment of an annual premium. If the insurance undertaking has a contractual possibility to amend the terms and conditions in each forward, the contract should normally be considered a new contract.

The first paragraph of the section entails that certain premiums will not be included in premium income. This applies to premiums paid in during the financial year, but the due date of which occurs and the insurance period of which commences after the close of the financial year. Such a premium is considered to be an advance and is reported as a liability to the policyholder.

*Portfolio premium* means a deduction item between the ceding undertaking and the reinsurer, which has the purpose of covering the reinsurer's liability for claims not yet occurred in accordance with a proportional reinsurance contract – both when replacing reinsurers and when changing the reinsurer's share of the contract.

Amounts levied on policyholders in mutual insurance companies and on members of insurance associations, in accordance with Chapter 12, section 11, point 9 and, respectively, Chapter 13, section 6, point 8 of the Insurance Business Act (2010:2043), shall be entered as premium income in the year in which the loss was incurred and the levy is intended to cover.

The seventh paragraph of the section entails that income from investment contracts are aptly reported as a separate item. The item should be named such that it makes clear that it pertains to income from investment contracts, cf. Chapter 3, section 4, third paragraph of the Annual Accounts Act (1995:1554) as well as IAS 1 Presentation of Financial Statements, IFRS 15 Revenue from Contracts with Customers and IFRS 4 Insurance Contracts.

**Section 3 Item II.1.a — Premium income (before ceded reinsurance ).** Insurance undertakings conducting life insurance business shall, as premium income, report amounts paid in during the financial year in accordance with insurance contracts for direct insurance, and paid-in and credited amounts for insurance contracts regarding accepted reinsurance, whether or not they pertain in full or in part to a later financial year.

This item includes, inter alia

- a) bonuses credited in the form of premium reductions and which, according to the accounting policies of the insurance undertaking, shall be entered here,
- b) additional premiums in forward payments and compensation from policyholders for expenses borne by the insurance undertaking,
- c) the insurance undertaking's share of the total premium amount in co-insurance,
- d) compensation from other insurance undertakings pertaining to technical provisions and consolidation reserves taken over pursuant to Chapter 2, section 2 that are not reported in the balance sheet, and

e) reinsurance premiums from the ceding undertaking and retroceding undertaking, including portfolio premiums, less reinsurance premiums paid back to the ceding undertaking and retroceding undertaking in the event of portfolio retraction or change in the share of reinsurance contracts.

The item shall be reported excluding tax and other public fees charged to the insurance premium.

Income from contracts regarding insurance that refers to investment contracts is not reported here.

#### *General guidelines*

*Portfolio premium* means a deduction item between the ceding undertaking and the reinsurer, which has the purpose of covering the reinsurer's liability for claims not yet occurred in accordance with a proportional reinsurance contract both when replacing reinsurers and when changing the reinsurer's share of the contract.

The fourth paragraph of the section entails that income from investment contracts is appropriately reported as a separate item. The item should be named such that it makes clear that it pertains to income from investment contracts, cf. Chapter 3, section 4, third paragraph of the Annual Accounts Act (1995:1554) as well as IAS 1, IFRS 15 Revenue from Contracts with Customers and IFRS 4 Insurance Contracts.