

# Finansinspektionen's Regulations

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## Finansinspektionen's (the Swedish Financial Supervisory Authority's) Regulations Governing Information to Life Policyholders;

**FFFS 2003:7**

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decided 18 December 2002.

Finansinspektionen hereby prescribes<sup>1</sup> the following pursuant to sections 49 and 43 of the Insurance Business Ordinance (1982:790).

### Scope

§ 1 These regulations shall be applied by assurance companies when they issue:

1. life assurance; and
2. sickness and accident insurance as a supplement to life assurance, i.e. specifically defined benefits which are included in the life assurance contract, for example, waiver of premium.

These regulations shall only apply, where applicable, to the following types of insurance:

1. insurance which is based upon collective bargaining agreements;
2. insurance which is based upon occupational pension arrangements which are comparable to collective bargaining agreements;
3. group assurance; and
4. unit-linked insurance.

§ 2 The assurance company shall provide information to life policyholders before the contract is entered into, during the term of the contract up until payment, as well as during the payment period on condition that:

1. the assurance contract is entered into in Sweden; and
2. the policyholder, upon conclusion of the contract, has his/her habitual residence in Sweden or, if the policyholder is a legal person, the establishment to which the contract relates is situated in Sweden.

These regulations shall also cover marketing of insurance products in Sweden.

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<sup>1</sup> See Council Directive 92/96/EEC of 10 November 1992 on the co-ordination of laws, regulations, and administrative provisions relating to direct life assurance and amending Directives 72/267/EEC, and 90/619/EEC (Third Life Assurance Directive). (EGT no. L 360, 9.12.1992, p. 11, Celex, 392L0096).

In addition, the Swedish Marketing Practices Act (1995:450) contains provisions governing the provision of information in connection with the marketing of insurance in Sweden.

## Definitions

§ 3 For the purposes of these regulations:

*adaptation period*: means a period of time set in a consolidation policy within which collective consolidation should have returned to within the consolidation interval, counting from the last time when the collective consolidation level left the interval;

*assurance based upon collective bargaining agreements*: means assurance taken out by employers to give assurance cover to employees and which is issued pursuant to assurance terms and conditions which follow a collective bargaining agreement specified in the assurance terms and conditions between an employers' organisation or an individual employer and an employees' organisation;

*conditional bonus*: means such agreed or unilaterally guaranteed bonus which is conditional upon changes in value and yield on assets or upon a certain actuarial result in respect of which the policyholders or other persons entitled to payment bear the risk;

*consolidation fund*: means a fund in which assurance companies which are not entitled to distribute profits to owners or guarantors set aside amounts which may be used to cover losses or for other purposes according to the provisions of the articles of association;

*consolidation interval*: means limits within which collective consolidation levels are permitted to vary according to company policy;

*group contract*: means a contract entered into with an assurance company for the benefit of a group of persons and which specifies the terms and conditions for the group assurance contract;

*group assurance*: assurance which is issued pursuant to a group contract and which applies on condition that the assured or any related persons belongs to the group;

*group representative*: means the person who may be deemed to represent the group as regards the receipt and transfer of such information as referred to in these regulations;

*guaranteed bonus*: means a bonus which is guaranteed in a nominal or actual amount pursuant to an assurance contract or a unilateral undertaking from the company;

*inheritance profit*: means contributions to the value of life assurance which have been provided via transfers from other life assurance policies due to surrender of value to the policyholder collective on death;

*other persons entitled to payment*: means beneficiaries and assureds other than the policyholder whose right to payment is based on the contract;

*paid-up policy amount:* means, where applicable, the amount by which the agreed assured amount is reduced where the payment of premiums is prematurely terminated;

*pension supplement method:* means a method of calculating a pension contract's current value by taking into consideration periodic decisions made concerning amendments to pension supplements in addition to guaranteed pension;

*preliminary distributed (allocated) bonus:* means such profit distributed to policies or to policyholders which constitutes the company's risk capital and which is determined on the basis of the contract's current value using the retrospective reserve method or the pension supplement method;

*retrospective reserve method:* means a method of calculating an assurance contract's current value by taking into consideration what has occurred since the latest calculation period (e.g. payments, disbursements, yield, risk costs, inheritance profit, and operating expenses of various types) where the calculations are based upon actual experience but may involve certain smoothing (e.g. of yield and risk costs);

*right of amendment:* a right, contained in an assurance contract, to amend the assurance without risk review, e.g. at pre-determined times or in the event of changes to family composition.

*surrender:* means payment to the policyholder of the value of the assurance as regards assurance which has been annulled prior to the expiration of the assurance term;

*surrender amount:* means the amount which is available at surrender and calculated in accordance with the rules governing surrender in the assurance contract as well as the principles set forth in current Actuarial Guidelines and Calculation Documentation ;

*transfer of assurance savings:* means a transfer of the entire policy-value directly to contracts with the same or another assurer, with the same person as assured;

## **Generally concerning the information**

§ 4 The information shall be provided in the Swedish language. It may be provided in other languages where the recipient so requests. The information must be provided in writing or in another manner which entails that the recipient may be assumed to have permanent access thereto. If the information is provided in the assurance terms and conditions, such must be specifically stated. The information must, in a clear and accurate manner, provide an adequate explanation of the assurance's terms and conditions and value trends. It shall be adapted to the type of assurance and the recipient to whom the information is directed.

In conjunction with marketing of assurance and all other information concerning a customer's share of profits which is directed to policyholders or any third party invited to take out assurance, the composition of the profit share must be expressly stated. The assurance company shall clearly distinguish guaranteed bonus from conditional bonus and from other shares in profits.

§ 5 As regards the provision of information to persons entitled to payment other than the policyholder, or any third party invited to take out insurance, information

shall be provided to the extent such is possible and with regard to what the recipient may be deemed to require.

§ 6 As regards the provision of information concerning group assurance, the normal channels for the provision of information may be employed, for example, through the group representative. However, the assurance company shall at all times ensure that the information fulfils the demands imposed concerning content and clarity and that it is worded in a manner making it suitable to provide to the individual members. If the information is provided to the group representative to forward to the group members, the assurer shall endeavour to ensure that the members receive the information.

§ 7 The information may be provided to the employer in the event an assurance is based upon a collective bargaining agreement and comparable occupational pension arrangements. In such cases, the assurance company shall emphasise the importance of the fact that the employees receive the information which they may be deemed to require.

As regards competitive fixed-premium assurances which are based upon collective bargaining agreements, the information shall be provided directly to the assured instead of the policyholder.

### **Information before an assurance contract is entered into**

§ 8 Before an assurance contract is entered into, the assurance company shall provide such information to any person invited to take out assurance necessary to facilitate the assessment of the need for assurance and the choice thereof.

The information shall specify in what respects, and under what circumstances, the terms and conditions of the contract may be amended during the term of assurance. The aforesaid shall also apply to fees and costs. In addition, it must be stated whether the contract is for a fixed term and thereafter subject to renewal. It must also be specified whether the company, upon expiration of the term, is entitled to amend the contract or refuse renewal.

§ 9 Information specific to the contract must be provided to the person invited to take out assurance. In conjunction with group assurance or in other cases where the marketing is directed to a wide class of recipients, information specific to the contract need only be provided, where possible, to the particular individual. The person invited to take out such assurance must be informed of the possibility to obtain further information upon request.

Information specific to the contract must at all times be provided not later than in connection with the provision to the policyholder of the assurance terms and conditions and other assurance documentation. This shall take place as soon as possible after the contract is entered into. Where the terms and conditions are not complete, such must be clearly stated. In connection herewith, the assurance company must also provide information on the manner in which complete terms and conditions may be obtained.

§ 10 In conjunction with group assurance, information shall be provided to the group representative before the group contract is entered into. The aforesaid shall also apply where the assurance contract is entered into with the group representative. The assurance company shall endeavour to ensure that the group representative provides relevant information to the group members not later than in connection with their receipt of the assurance confirmation. However, where the

assurance contract is entered into with each individual group member, the information must be provided to the group member before the assurance contract is entered into.

§ 11 The information must be provided to the employer in conjunction with assurance based upon collective bargaining agreements and comparable occupational pension arrangements. The assurance company must emphasise the importance of the information being forwarded to the employees not later than in connection with the receipt of the assurance confirmation.

§ 12 The information shall at all times include the information set forth in the *appendix*.

### **Information during the term of the assurance contract up until payment**

§ 13 The assurance company shall provide the information concerning the assurance to policyholders and other persons entitled to payment which they may be deemed to require. The information shall at all times include the information set forth in the *appendix*.

### **Information during the payment period**

§ 14 The assurance company shall provide information to persons entitled to payment as regards such circumstances which they may be deemed to require. The information shall at all times include the information set forth in the *appendix*.

### **Information concerning possibilities for review, etc.**

§ 15 In connection with the adjustment of a claim for indemnification, the assurance company shall, where required, inform the person who is affected by the company's decision of what possibilities exist to have a dispute with the company reviewed. In the event a group legal expenses insurance policy may apply in conjunction with such a dispute with the company, information shall also be provided thereon. The aforesaid applies when an assurance is prematurely terminated or amended at the company's election. The assurance company shall also provide information concerning the limitation rules.

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These regulations shall enter into force on 15 April 2003, whereupon Finansinspektionens Regulations (FFFS 2000:12) concerning information to life policyholders shall be repealed.

INGRID BONDE

Göran Ronge

*Appendix*

## **Information to policyholders**

### **A. Information before an assurance contract is entered into**

The following information shall be provided before an assurance contract is entered into.

#### **Information concerning the assurance company**

The following information shall be provided concerning the assurance company:

1. The assurer's name and legal form of business entity must be specified.

Where the assurance is marketed or brokered by any party other than the assurer, the assurer shall, where possible, ensure that information is provided concerning the identity of the assurer. The information must be clearly and prominently worded to obviate any potential for misunderstanding.

2. The full address of the head office must be specified and, where applicable, the full address of the agent or the branch which enters into the contract.

#### **The assurance contract**

The following information shall be provided concerning the assurance contract:

3. The scope of the assurance cover must be specified as well as the benefits and rights to amendment pursuant to the contract. Exemptions for the assurance cover must be clearly stated.

4. The commitment which may follow from the assurance contract for the policyholder must be specified.

Information must be provided concerning whether, and to what extent, the assurance may be surrendered or the assurance savings transferred to another assurance and assurer. Where such possibility exists, information must be provided concerning the terms and conditions therefor.

The manner in which the information requirements are specified in connection with transfer of assurance savings are set forth in sections 18-19.

5. The manner in which the value of the assurance is completely terminated or reduced during the term of assurance in the event of death (assurance on survival to a stipulated age) or, where the assured is alive at the end of the assurance term (assurance on death only).

6. The term of the contract must be specified.

It must be clarified whether the contracts permits the policyholder to amend the date of payment or the length of the payment period and the amount of any fees which may be charged in conjunction with such amendments. It must be specified

that the information relates to current fees and that the size thereof may be amended in the future.

7. The policyholder's right to terminate the assurance contract must be specified pursuant to section 97a of the Swedish Insurance Contracts Act (SFS 1927:77).

The information shall contain information concerning, in part, the formal pre-conditions in order to invoke the right of termination and, in part, the procedure to be employed by the policyholder to exercise the right of termination.

8. The consequences which may be applicable in conjunction with the provision of erroneous or incomplete information or failure to pay premiums must be specified.

9. In the event that Swedish law does not apply, the law of the country governing the contract must be specified. Where the parties are free to choose the governing law, the law proposed by the assurer shall be specified.

10. The main features of the tax rules which apply to the relevant types of assurance must be specified.

## **Premiums**

The following information shall be provided concerning premiums:

11. The terms and conditions which apply to premium payments and calculation of premiums must be specified.

The information must state the principles governing calculation of premiums or determination of the relation between premiums and benefits and clarify to what extent the contract permits premium calculations to be amended during the term of the assurance.

12. The principles concerning the manner in which the company's operating expenses and risk costs shall be covered must be specified.

For example, if a contract is charged with acquisition costs in conjunction with payment of additional premiums, information must be provided with respect thereto. Information must be provided concerning how much of the premium amounts to the main benefit and, where applicable, to supplementary benefits. If the benefit does not affect the calculation of the premium, information must be provided concerning the fact that the benefit affects the value of the assurance, e.g. through the assurance not participating in inheritance profit. Where the information is based upon assumptions which entail that the actual costs charges are unknown, such must be specified. It must also be specified that increased costs charges affect the value of the assurance.

In addition, it must be specified whether the calculation of premiums includes limits for charges of operating expenses and risk costs.

## Allocation of profits

The following information must be provided concerning the allocation of profits:

13. The company rules concerning covering of losses and, where applicable, payment of dividends, must be specified.

Information must be provided concerning the assurance terms and conditions and the articles of association's provisions concerning the rights of policyholders and other persons entitled to payment to profits and to what extent profits may be used to cover losses. It must be clearly stated to what extent a general meeting may decide upon allocation of profits and that the articles of association may be amended as regards the right to receive future profits.

As regards companies which do not issue dividends, information must be provided concerning rules governing use of the consolidation fund set forth in the articles of association.

14. The right to bonuses must be specified and the extent to which such is guaranteed or conditional, and the meaning thereof.

As regards conditional bonuses, information must be provided concerning what factors or conditions the future bonus amount is dependent upon. In addition, information must be provided concerning the terms and conditions for allocation of bonuses between the persons entitled to payment. Information must also be provided concerning the principles which are applied for calculation of bonus payments during the payment period.

In the event information is provided concerning shares in profits which do not constitute a guaranteed or conditional bonus, it must be clearly stated that the funds constitute the company's risk capital and the meaning thereof.

The aforesaid shall not apply to life assurance which only applies on death and which is issued for a period of not more than five years, or for a premium which is calculated and fixed for not more than five years at a time. Nor shall such apply to unit-linked insurance.

15. As regards assurance contracts with preliminary distributed (allocated) bonus, the company shall provide information concerning the company's collective consolidation policy. The information must include the company's consolidation interval, target level where such has been fixed by the company, adaptation period, and other important information.

16. The following shall apply to assurance contracts with preliminary distributed (allocated) bonus according to the retrospective reserve method:

The assurance company shall, on the basis of its consolidation policy, describe the link between quoted consolidation levels, assessments of future returns on capital, and the determination of the bonus interest rate and other relevant bonus parameters. In conjunction with this description, the manner in which the duration of the adaptation period affects the bonus interest rate shall be taken into account.

In addition, the assurance company shall describe the import of the company's collective consolidation level being above the upper limit of the consolidation interval and the import of it being below the lower limit.



Information shall be provided concerning the manner in which actual variation in time of the type of assets may affect the consolidation and the bonus interest rate. Information shall also be provided concerning the manner in which changes to the collective consolidation may affect periodic payments, both in terms of increases and decreases.

17. The principles for determining the assurance's value in conjunction with any surrender or transfer of the assurance savings, or when the assurance is reduced to a paid-up policy must be specified.

Information shall also be provided concerning the terms and conditions governing the manner in which the assurance's value may otherwise be utilised.

### **Transfer of assurance savings**

The following information must be provided in conjunction with the transfer of assurance savings:

18. When the assurance capital is transferred from one assurance company, the company *from* which the transfer occurs should provide information concerning the fact that the previous assurance contract is terminated and that the capital has been placed in a new assurance with new contract terms and conditions.

Where applicable, the following information shall be provided by the assurance company:

- information concerning possible attachment to a specific bonus group due to the fact that the assurance has been granted the right to transfer;
- what value will be transferred and any deduction for costs and value adjustments which may be made to existing assurance values;
- information concerning the fact that the committed assurance amount and the current risk cover including waiver of premium contained in current assurance contracts may be changed;
- information concerning the fact that existing exemption from execution measures may be terminated;
- information concerning the fact that, in conjunction with unit-linked insurance, the possibility to choose investment may be changed or terminated entirely;
- the date upon which the company's liability terminates; and
- what may otherwise be deemed to be important information.

This information should also be provided, where applicable, in conjunction with information in connection with the conclusion of the agreement.

19. When the assurance capital is transferred from an assurance company, the undertaking *to* which the transfer occurs should, where applicable, provide the following information:

- The assurance company must describe the classification of the assurance's value and the consequences which this may have on the right of priority. "Classification" means partitioning of the value taking into account the assurance commitment and various forms of bonus. No description is required where the entire value is deemed as a premium for a commitment.
- What may otherwise be deemed to be important information shall be specified particularly with respect to the transfer.
- All other applicable information shall be specified which, pursuant to these regulations, is provided before a new assurance contract is entered into. Exceptions may be made in those cases where the transfer has been determined in connection with the execution of the contract with the transferor insurer.

### **Financial information concerning the assurance company**

The following financial information shall be provided concerning the assurance company:

20. General information must be specified concerning the assurance company's determined long-term investment objectives in order to cover its technical provisions divided up into what is guaranteed, conditional, or preliminary distributed (allocated) bonus, specifying the distribution in terms of:

- a) shares and participating interests;
- b) properties and mortgages;
- c) fixed-interest assets; and
- d) other investments.

Information shall be provided concerning the extent to which matching between assets and liabilities is applied to secure commitments.

Information shall be provided concerning the manner in which further information may be obtained concerning the company's total capital investment.

The aforesaid shall not apply to life assurance which only applies on death and which is issued for a period of not more than five years, or for a premium which is calculated and determined for not more than five years at a time. Nor shall the above apply to unit-linked insurance.

21. Information shall be provided concerning the manner in which further information may be obtained concerning the company's financial position, for example, through the latest annual report.

### **Unit-linked insurance**

The following information shall be provided concerning unit-linked insurance:

22. The investment fund(s) or the indices to which the benefits may be linked shall be specified.

23. It must be stated how a change of fund takes place and the amount of fees charged in connection therewith.

24. The fees charged by the assurance company to cover any operating expenses and tax must be specified, specifying the distribution in terms of:

- a) deductions from the premium prior to purchase of units;
- b) any difference between the purchase and sale price of units; and
- c) deductions from funds or units value.

Information shall also be provided concerning the fact that further costs charges may be made for the investment fund company's or corresponding institution's management of the fund as well as the size of such management fees. However, the aforesaid only applies to investment funds which are managed by the investment fund company which belong to the same group as the assurance company as well as other investment funds which the assurance company actively markets.

25. The investment funds' main investment focus must be specified.

Information shall be provided concerning investment funds which are managed by investment fund companies which belong to the same group as the assurance company, and for other investment funds which the assurance company actively markets.

The information shall contain a report of the various types of assets which may be included in the investment fund, for example, shares, bonds, and liquid funds. It must be specified whether the investment fund has a specific investment focus as regards a particular industry, geographical area, or in any other respect. The information may be provided by delivering the investment fund company's information brochure.

### **Handling of complaints**

The following information shall be provided concerning handling of complaints:

26. Information shall be provided concerning the manner in which complaints and disputes will be handled regarding the assurance contract.

Information shall be provided concerning the assurance company's procedures regarding contacts with customers in complaint matters according to the General Advice concerning the Handling of Consumer Complaints regarding Financial Services issued by Finansinspektionen (FFFS 2002:23). Information shall also be provided concerning the possibility to have a decision reviewed by the assurance company or by an industry supervisory body. In addition, information shall be provided concerning the possibility to have a dispute determined by the Swedish National Board for Consumer Complaints and by courts of general jurisdiction. Information shall also be provided concerning the possibility to obtain advice in another manner, for example, through the Swedish Consumers Insurance Bureau.

### **B. Information during the term of the assurance agreement up until payment**

The assurance company shall provide the following information during the term of the assurance contract up until payment.

### **Changes**

The following information shall be provided concerning changes:

1. Information in respect of every change of the assurer's name, legal form of business entity, address of the head office and, where applicable, the address of the agent or the branch which has entered into the agreement.

2. Information shall be specified as referred to in A 1-26 and which is of major significance for the contract and which is affected by a decided change to the assurance terms and conditions, legislation, or the company's policy regarding collective consolidation.

3. Deviations from existing policies shall be specified in accordance with the Collective Consolidation Regulations and General Advice issued by Finansinspektionen (FFFS 2003:1). Consequences of deviation and the measures which the company intends to undertake by reason of the aforesaid shall also be specified.

"Deviation" means that the collective consolidation level at the end of two consecutive quarters is outside the consolidation level pursuant to the company's policy.

### **Annual information**

The assurance company shall provide the following annual information:

4. In the event the contract is affected by the following items, annual information shall be provided concerning:

- a) guaranteed and conditional bonuses; and
- b) the development of the assurance's value (balance or pension capital, including guaranteed and conditional bonuses).

In the event values have been credited to the assurance in addition to that which is a direct consequence of the provisions of the contract, it must be clearly stated that the credit does not entail any undertaking as to any future credits. Shares in the consolidation fund are not credited as bonus prior to a resolution thereon having been adopted by a general meeting. Where information is provided concerning such shares in the consolidation fund (preliminary distributed (allocated) bonus) which has not yet been credited to the assurance, it must be clearly stated that the funds constitute the company's risk capital and the meaning thereof.

c) Any changes shall be specified regarding the principles which are applied to calculation of amounts payable by bonus during the payment period.

d) The amount of payment which would have been payable on death as per the reporting date must be specified including bonus in order to give the policyholder a possibility to assess his/her assurance cover.

e) Where applicable, the actual amount of the costs which will be charged on the value in conjunction with any surrender or transfer must be specified.

f) What proportion of the premiums paid during the year relate to supplementary benefits must be specified. If there is no identifiable premium, information must be provided concerning the fact that the benefit has affected the value of the assurance.

g) Information concerning the amount of costs which have been charged on the assurance during the reported period must be specified. The aforesaid also relates to such costs for which a general deduction has been made from the bonus. In addition, the other causes material to the change in the assurance's value must be specified, such as:

- yield which has been credited or added to the assurance during the year;
- tax which has been levied on the assurance during the year;
- risk premiums; and
- inheritance profit.

h) In connection with the commencement of periodic payments, the assurance company shall provide information concerning the possibility to amend the assurance in accordance with section A6.

i) Information shall be provided concerning the fact that the assurance may need to be reviewed in certain respects, for example, for beneficiaries and the need for survivor benefits.

### **C. Information during the payment period**

The assurance company shall provide the following information during the payment period.

#### **Changes**

The following information shall be provided concerning changes:

1. Information as referred to in section B1 shall be specified.
2. Specifications shall be made of changes to the assurance terms and conditions, legislation, or the company's policy for collective consolidation, which may be deemed to be of significance for the person entitled to indemnification to be aware of.
3. Any changes shall be specified regarding the principles which are applied for the calculation of the amount payable as bonus during the payment period.
4. Deviations from existing policies shall be specified in accordance with the Collective Consolidation Regulations and General Advice issued by Finansinspektionen (FFFS 2003:1). Consequences of deviation and the measures which the company intends to undertake by reason of the aforesaid shall also be specified.

"Deviation" means that the collective consolidation level at the end of two consecutive quarters is outside the consolidation interval pursuant to the company's policy.

The aforesaid only applies to assurance contracts with preliminary distributed (allocated) bonus pursuant to the retrospective reserve method.

5. Deviations from existing policies shall be specified in accordance with the Collective Consolidation Regulations and General Advice issued by Finansinspektionen (FFFS 2003:1). Consequences of the deviation as regards the

effect on current and future index-linking of pension payments to the persons entitled to payment shall also be specified.

The aforesaid only applies to assurance contracts with preliminary distributed (allocated) bonus pursuant to the pension supplement method.

### **Annual information**

The assurance company shall provide the following annual information:

6. Information shall be provided annually concerning:

- a) the current assurance amount;
- b) the yield which has been credited or added to the assurance during the year;
- c) the costs which have been deducted from the assurance during the year;
- d) the tax which has been levied on the assurance during the year; and
- e) where applicable, information that the indemnification will be terminated within the next 12 months.