

# Finansinspektionen's Regulatory Code

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## Finansinspektionen's regulations and general guidelines regarding the Swedish Pensions Agency's insurance activities in the premium pension system;

**FFFS 2022:1**

Published on  
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decided 25 January 2022.

Finansinspektionen prescribes the following pursuant to section 2 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Ordinance (2017:237) and provides the following general guidelines.

### Chapter 1 Scope

**Section 1** These regulations and general guidelines apply to the Swedish Pensions Agency in its insurance activities in the premium pension system.

**Section 2** The provisions set out in Chapter 2, sections 2–6 only apply to traditional life insurance.

### Definitions in these regulations and general guidelines

**Section 3** Terms and expressions in these regulations and general guidelines have the same definition as in the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230), unless otherwise specified.

In addition, the following definitions apply:

1. *deep market*: a market where transactions with a large volume of financial instruments can occur without significantly impacting the price of the instruments.
2. *liquidity risk*: the risk that premium pension commitments cannot be met at maturity without the cost of obtaining the means of payment increasing considerably,
3. *market risk*: the risk that the market value of net assets would be negatively impacted by a change in the market prices of assets, liabilities and financial contracts,
4. *counterparty risk*: the risk that a counterparty will not fulfil the obligations in lending agreements or other financial contracts,
5. *investment guidelines*: the general policy document that the Swedish Pensions Agency applies as a basis for its investments and the content of which is set out in Chapter 5, sections 3–6,
6. *investment strategy*: the Swedish Pensions Agency's strategy for investment of assets in relation to the nature and duration of the premium pension commitments,

7. *monitoring actuary*: a person under whose supervision the actuarial investigations and calculations shall be performed pursuant to Chapter 2, section 4 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230),

8. *migration*: repurchase of premium pension funds in unit-linked insurance for transfer to traditional insurance, and

9. *transfer*: repurchase of premium pension funds in unit-linked insurance or traditional insurance for transfer of pension rights in the form of premium pension funds to the pension plan that applies to employees in the EU's central activities.

## **Chapter 2 Calculation of technical provisions**

### **General provisions**

**Section 1** When the Swedish Pensions Agency calculates the technical provisions, it shall use updated and reliable information as well as realistic assumptions.

The Swedish Pensions Agency, when performing the calculations, shall

1. use actuarial and statistical methods that are appropriate given the type of premium pension commitment and the risks that impact the commitments, and
2. ensure that the data used is appropriate, complete and accurate.

### **Estimation of cash flows**

**Section 2** When the Swedish Pensions Agency calculates life insurance provisions and estimates cash flows, it shall consider incoming and outgoing cash flows that are required to fulfil the premium pension commitments. The estimate shall include as a minimum the following cash flows:

1. future pay-outs to pensions savers and other beneficiaries, and
2. all expenses linked to the premium pension commitments.

### **Uncertainty in the cash flows**

**Section 3** When the Swedish Pensions Agency calculates life insurance provisions, it shall consider uncertainty factors in the cash flows. The Agency shall consider the uncertainty inherent in

1. when the premium pension commitments will fall due,
2. premium pension amounts,
3. pension savers' behaviour, and
4. other factors.

If the uncertainty is dependent on two or more factors, the Swedish Pensions Agency shall also consider the dependence between these factors.

### **Agreed options and financial guarantees**

**Section 4** When the Swedish Pensions Agency calculates life insurance provisions, it shall

1. consider all financial guarantees and agreed options that are included in the Agency's premium pension commitments, and
2. assess the value of an option based on the cost for the Agency if the option is utilised and the probability that the option will be utilised.

### **Relevant risk-free interest rate structure**

**Section 5** When the Swedish Pensions Agency adopts such a relevant risk-free interest rate structure as referred to in Chapter 2, section 2 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230), the Agency shall use the information that can be derived from relevant financial instruments. For maturities where such information is missing, the Swedish Pensions Agency shall interpolate and extrapolate risk-free interest term structures.

### **Homogeneous risk groups for pension commitments**

**Section 6** When the Swedish Pensions Agency calculates life insurance provisions, it shall estimate future cash flows individually for each premium pension commitment.

The Swedish Pensions Agency, however, may calculate life insurance provisions collectively using an accepted actuarial method for one or several groups of insurance agreements. This applies if such a method

1. does not introduce any significant differences in the nature and complexity of the underlying risks in the insurance agreements in the same group,
2. provides an accurate depiction of the premium pension commitments, and
3. largely generates the same results as if the provision had been calculated with individual cash flows, particularly with regard to the financial guarantees and options included in the agreements.

## **Chapter 3 Requirement on insight and experience for monitoring actuaries**

### **Monitoring actuary**

**Section 1** A monitoring actuary shall meet the requirements set out in sections 2–6 to be considered to have the insight and experience specified in Chapter 2, section 4 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230).

### **Education**

**Section 2** A monitoring actuary shall have completed an undergraduate programme at a Swedish university or university college that includes at least 120 credits in mathematics and mathematical statistics, of which at least 45 credits in each subject.

**Section 3** The undergraduate programme referred to in section 2 shall consist of or be supplemented by completed courses in

1. insurance accounting and insurance law, and
2. life actuarial mathematics and financial mathematics at a level commensurate with the actuarial investigations and calculations performed.

#### *General guidelines*

The undergraduate programme should be supplemented with a master's degree in actuarial mathematics.

**Section 4** A monitoring actuary, instead of having completed a study programme as referred to in sections 2 and 3, may acquire equivalent knowledge by having completed another equivalent course in Sweden or abroad.

#### *General guidelines*

Courses equivalent to those specified in section 3 may be arranged by an actuarial association or an educational organisation.

### **Continued professional development**

**Section 5** A monitoring actuary, if necessary, shall undergo further training in order to fulfil the requirements on insight and experience.

### **Experience**

**Section 6** To be considered to have the experience required, a monitoring actuary shall have worked with actuarial investigations and calculations in an organisation active in private pensions or occupational pensions or in the Agency's insurance activities in the premium pension system for at least three of the past seven years.

## **Chapter 4 Actuarial guidelines and bases for calculation**

### **Actuarial guidelines**

**Section 1** The Swedish Pensions Agency's actuarial guidelines – in addition to the principles set out in Chapter 4, section 1 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230) – shall include

1. a description of the products available in the premium pension system and how they work, and
2. principles for how the Swedish Pensions Agency shall pay interest on premium pension amounts that have fallen due for payment.

The actuarial guidelines may contain references to other documents that the Swedish Pensions Agency shall prepare pursuant to an act or other regulation.

**Section 2** The actuarial guidelines shall specify how the Swedish Pensions Agency selects assumptions regarding

1. rate of return,
2. mortality and longevity, and
3. operating expenses.

With regard to the assumptions regarding mortality and longevity, the guidelines shall state the type of publicly available information on which the assumptions are based. The guidelines shall also state whether the Swedish Pensions Agency has adjusted these assumptions with regard to the characteristics of the portfolio of premium pension commitments.

**Section 3** The Swedish Pensions Agency shall also ensure that the principles for how bonuses to pension savers and other beneficiaries are distributed pursuant to Chapter 4, section 1, first paragraph, point 4 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230) state:

1. How the agency recovers preliminarily distributed (allocated) bonuses.
2. How differences between insurance policies' contributions to the return on capital, operating expenses and profits from insurance risks affect the allocation of bonuses.

#### **Actuarial calculation basis**

**Section 4** The Swedish Pensions Agency's actuarial calculation basis shall contain the documentation that – together with the actuarial guidelines – is needed for a person who has the required skills to carry out the actuarial investigations and calculations in the premium pension system, but is not employed or working on behalf of the Swedish Pensions Agency, to be able to understand and reconstruct the actuarial calculations.

**Section 5** The Swedish Pensions Agency's actuarial calculation basis, as a minimum, shall contain information regarding

1. the calculation formulae and methods that are used,
2. the calculation parameters that are included in the calculation formulae,
3. the statistical and economic models the Agency uses when estimating calculation parameters,
4. any expert assessments that are applied, and
5. a list of amendments.

#### **Reports on the impact of technical guidelines**

**Section 6** Provisions specifying that the Swedish Pensions Agency shall submit a report on the impact of new or amended actuarial guidelines to Finansinspektionen are set out in Chapter 4, section 2 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230).

The report shall highlight the impact of new or amended guidelines on the Swedish Pensions Agency as well as pension savers and other beneficiaries. The report shall highlight the impact in the following areas:

1. determination of the premiums and benefits,
2. calculation of technical provisions and surplus targets,
3. transfer of insurance policies,
4. distribution of bonuses to pension savers and other beneficiaries,
5. determination of the amounts to be paid out, and
6. control of the consolidation level.

## **Chapter 5 Investments**

### **Use of derivative instruments**

**Section 1** When using derivative instruments, the Swedish Pensions Agency shall avoid excessive exposure to a single counterparty and to other risks in derivative operations.

### **Content of investment guidelines**

**Section 2** The investment guidelines as referred to in Chapter 4, section 4 of the Swedish Pensions Agency's Insurance Activities in the Premium Pension System Act (2017:230) as a minimum shall have the content set out in sections 3–6.

### **Investment strategy**

**Section 3** The investment guidelines shall describe the Swedish Pensions Agency's investment strategy. The guidelines therefore shall contain

1. a general description of the assets the pension Swedish Pensions Agency may invest in,
2. information about the pension Swedish Pensions Agency's return targets and how it intends to reach these targets,
3. a general description of the nature and duration of the premium pensions that are being paid, broken down into unit-lined insurance and traditional insurance, and
4. a description of how the Swedish Pensions Agency takes into account environmental, social and governance factors.

### **Measurement of market and counterparty risks**

**Section 4** The investment guidelines shall also describe the Swedish Pensions Agency's methods to measure market and counterparty risks. The guidelines as a minimum shall contain information regarding the

1. methods that the Swedish Pensions Agency uses for measuring market risks that are not negligible, and
2. supplemental stress tests or scenario analyses that the Swedish Pensions Agency uses to analyse risks of extreme market changes.

### **Management of liquidity risks**

**Section 5** The investment guidelines shall provide a description of how the Swedish Pensions Agency manages liquidity risks.

### **Organisation of the investment activities**

**Section 6** The investment guidelines shall describe how the Swedish Pensions Agency organises control and governance of its investment activities.

## **Chapter 6 Reporting to Finansinspektionen**

### **Annual reporting**

**Section 1** The Swedish Pensions Agency shall submit every year the information specified in *Appendix 1* to Finansinspektionen.

Finansinspektionen shall have received the information no later than 30 April of the year after the financial year to which the information relates.

**Section 2** Instructions concerning the information to be submitted can be found in *Appendix 2*.

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1. These regulations and general guidelines shall enter into force on 01 March 2022.
  2. The provisions regarding reporting in Chapter 6 are applied for the first time on information that refers to the 2022 calendar year.

ERIK THEDÉEN

Kamilla Atmarsson

*Appendix 1*

## **Information for supervisory reporting for premium pensions**

### **1 Income statement**

#### **Technical report**

- 1.1 Written premiums
- 1.2 Revenue from investment contracts
- 1.3 Return on capital, revenue
- 1.4 Unrealised gains on investment assets
- 1.5 Other technical income
- 1.6 Claims incurred
- 1.7 Change in other technical provisions
- 1.8 Bonuses and discounts
- 1.9 Operating expenses
- 1.10 Return on capital, expenses
- 1.11 Unrealised losses on investment assets
- 1.12 Other technical expenses
- 1.13 Return on capital transferred from (to) the financing business
- 1.14 Insurance business's technical profit/loss (sum of the above items)

#### **Non-technical report**

- 1.15 Return on capital, revenue
- 1.16 Unrealised gains on investment assets
- 1.17 Return on capital transferred from (to) the insurance business
- 1.18 Return on capital, expenses
- 1.19 Unrealised losses on investment assets
- 1.20 Other revenue
- 1.21 Other expenses
- 1.22 Profit/loss for the year (sum of the above items)
- 1.23 Comments to the Income Statement

### **2 Balance Sheet**

#### **Assets**

- 2.1 Investment assets
- 2.2 Investment assets for which the life insurance policyholder bears the investment risk
- 2.3 Receivables
- 2.4 Other assets
- 2.5 Prepaid expenses and accrued income
- 2.6 Total assets (sum of the above items)

#### **Equity, provisions and liabilities**

- 2.7 Consolidation reserve



- 2.8 Profit/loss for the year
- 2.9 Total equity (sum of the above items)
- 2.10 Technical provisions
- 2.11 Other insurance commitments for which the life insurance policyholder bears the risk
- 2.12 Liabilities
- 2.13 Accrued expenses and deferred income
- 2.14 Total equity, provisions and liabilities (sum of the items 2.9–2.13)
- 2.15 Comments to the Balance Sheet

### **3 Specification of profit and loss**

- 3.1 Written premiums
- 3.2 Return on capital, revenue

#### **Specification of unrealised gains on investment assets**

- 3.3 Increase in value of investment assets for which the life insurance policyholder bears the investment risk
- 3.4 Increase in value of other investment assets

#### **Specification of insurance claims**

- 3.5 Claims paid
- 3.6 Migration and transfer
- 3.7 Change for the year in provision for outstanding claims (including confirmed insurance claims in the life insurance business)
- 3.8 Total claims paid (sum of the above items)

#### **Specification of bonuses and discounts**

- 3.9 Paid bonuses and discounts
- 3.10 Opening provision for bonuses and discounts
- 3.11 Closing provision for bonuses and discounts
- 3.12 Opening consolidation reserve
- 3.13 Closing consolidation reserve
- 3.14 Total bonuses and discounts (sum of the above items)

#### **Specification of operating expenses**

- 3.15 Administrative expenses
- 3.16 Total operating expenses
- 3.17 Personnel expenses (including in 3.16 Total operating expenses)
- 3.18 Return on capital, expenses

#### **Specification of unrealised losses on investment assets**

- 3.19 Reduction in value of investment assets for which the life insurance policyholder bears the investment risk
- 3.20 Reduction in value of other investment assets

### **Specifications return on capital**

- 3.21 Reversed write-downs
- 3.22 Exchange gains (net)
- 3.23 Capital gains (net)
- 3.24 Asset management expenses
- 3.25 Depreciation/amortisation and impairment (-)
- 3.26 Exchange losses (net) (-)
- 3.27 Capital losses (net) (-)
- 3.28 Comments to Specification of earnings data

## **4 Actuarial profit and loss attribution**

### **Insurance risks and operating expenses**

- 4.1 Profit/loss, life mortality
- 4.2 Profit/loss, operating expenses,
- 4.3 Profit/loss, migration and transfer
- 4.4 Profit/loss, guarantees and options
- 4.5 Revaluation from assumption on premiums and pay-outs to assumptions on technical provisions
- 4.6 Change in provisions due to changed specific assumptions
- 4.7 Other unspecified insurance risks
- 4.8 Other unspecified operating expenses
- 4.9 Profit/loss insurance risks and operating expenses (sum of the above items)

### **Return on capital**

- 4.10 Return on capital, net
- 4.11 Return on capital allocated to technical provisions
- 4.12 Change in provisions due to changed interest rate assumptions
- 4.13 Profit/loss return on capital (sum of items 4.10–4.12)
- 4.14 Other, by class of insurance
- 4.15 Unattributed amount
- 4.16 Partial profit/loss, by class of insurance
- 4.17 Profit/loss for the year in accordance with the annual report

### **Analysis of mortality assumptions**

- 4.18 Capital at risk for the year, men
- 4.19 Inheritance gain, men
- 4.20 Capital at risk actual deaths, men
- 4.21 Adjustment item due to changed assumptions, men
- 4.22 Profit/loss men (sum of items 4.19–4.21)
- 4.23 Capital at risk for the year, women
- 4.24 Inheritance gain, women
- 4.25 Capital at risk actual deaths, women
- 4.26 Adjustment item due to changed assumptions, women
- 4.27 Profit/loss women (sum of items 4.24–4.26)
- 4.28 Profit/loss Life mortality (sum of items 4.22 and 4.27)

**Analysis of operating expense assumptions**

- 4.29 Estimated operating expenses
- 4.30 Actual administrative expenses
- 4.31 Reversed fund management fee
- 4.32 Adjustment item due to changed assumptions
- 4.33 Profit/loss, operating expenses

**Analysis of assumptions concerning migration and transfer**

- 4.34 Estimated fee for migration and transfer
- 4.35 Actual cost for migration and transfer
- 4.36 Estimated reduced provision
- 4.37 Actual reduced provision
- 4.38 Adjustment item due to changed assumptions
- 4.39 Profit/loss migration and transfer
- 4.40 Comments to Actuarial profit and loss attribution

**5 Technical provisions**

- 5.1 Opening technical provision
- 5.2 Incoming payment
- 5.3. Disbursements
- 5.4 Charges
- 5.5 Return on capital allocated to technical provisions
- 5.6 Change in provisions due to changed assumptions
- 5.7 Revaluation from assumption on premiums and pay-outs to assumptions on technical provisions
- 5.8 Risk profit/loss
- 5.9 Profit/loss migration and transfer
- 5.10 Profit/loss guarantees and options
- 5.11 Other changes by class of insurance
- 5.12 Unattributed amount
- 5.13 Closing technical provision
- 5.14 Comments to Technical provisions

**6 Analysis of bonus calculations**

- 6.1 Description of sub-portfolio

**Return on capital**

- 6.2 Return on capital, net
- 6.3 Return on capital allocated to retrospective reserve
- 6.4 Difference return on capital (sum of items 6.2 and 6.3)

**Mortality**

- 6.5 Inheritance gain on retrospective reserve, men
- 6.6 Total capital at risk actual deaths (second order level), men
- 6.7 Difference, men (sum of items 6.5 and 6.6)
- 6.8 Inheritance gain on retrospective reserve, women
- 6.9 Total capital at risk actual deaths (second order level), women

- 6.10 Difference women (sum of items 6.8 and 6.9)
- 6.11 Difference life mortality (sum of items 6.7 and 6.10)

### **Operating expenses**

- 6.12 Charges debited for operating expenses on retrospective reserve (-)
- 6.13 Migration or transfer in or out (including into 6.12) (-)
- 6.14 Actual administrative expenses
- 6.15 Reversed fund management fee
- 6.16 Difference operating expenses (sum of items 6.12, 6.14 and 6.15)

### **Some other data**

- 6.17 Allocation or reallocation
- 6.18 Changes in deficit over the year that apply to technical surrender values
- 6.19 Changes in deficit over the year that apply to VP values

### **Consolidation of deficits, technical surrender values, disbursement reserves and retrospective reserves**

- 6.20 Closing deficit in the retrospective reserve that applies to technical surrender values
- 6.21 Closing deficit in the retrospective reserve that applies to VP
- 6.22 Closing technical surrender values
- 6.23 Closing VP
- 6.24 Closing retrospective reserve

### **Consolidation**

- 6.25 Closing distributable asset values
- 6.26 Closing distributed asset values, max (retrospective reserve, TSV, VP, 0)
- 6.27 Consolidation level (100\*item 6.25/item 6.26 with one decimal point)
- 6.28 Comments to Analysis of bonus calculations

## **7 Equity ratio information**

- 7.1 Surplus targets
- 7.2 Longevity risk
- 7.3 Interest rate risk
- 7.4 Asset risk
- 7.5 Life insurance provision
- 7.6 Market value of the assets
- 7.7 Actual surplus (100\*(item 7.6–item 7.5)/item 7.5)
- 7.8 Comments to Equity ratio information

*Appendix 2***Instructions for the supervisory reporting for premium pensions**

Terms and expressions in in this appendix have the same meaning as in the Annual Accounts at Insurance Undertakings Act (1995:1560) and Finansinspektionen's regulations and general guidelines (FFFS 2019:23) regarding annual reports at insurance undertakings and institutions for occupational retirement provision, unless otherwise specified.

**Reporting annual disclosures**

Information is disclosed in accordance with sections 1–7 below:

1. Income statement
2. Balance sheet
3. Specification of profit and loss
4. Actuarial profit and loss attribution
5. Technical provisions
6. Analysis of bonus calculations
7. Equity ratio information

Explanatory notes on disclosed information can be added in the comment field of each section.

**Amounts**

All amounts are stated in SEK without decimals. The amounts may be rounded to the nearest thousand.

In the report, expenses are stated as negative figures with a minus sign (including when specifying pure expense items), unless otherwise specified.

**1 Income statement**

Revenue from investment contracts is reported separately, regardless of the item under which they have been recognised in the annual report.

In unit-linked insurance business, the return on capital that is attributable to assets on the undertaking's own account in the non-technical account are reported. However, in traditional life insurance business, returns on capital are reported in the technical account.

Specifications of return on capital refer to the total return on capital, i.e. the sum of the return on capital from the insurance business and the financing business.

**3 Specification of earnings data****Specification of operating expenses**

### **3.17 Personnel expenses (including in 3.16 Total operating expenses)**

Personnel expenses refer to salaries, social security expenses, pensions and fees.

## **4 Actuarial profit and loss attribution**

The actuarial profit and loss attribution is reported for the insurance business.

### **Insurance risks and operating expenses**

The profit/loss for life mortality (mortality among the insured), operating expenses, migration, transfer, guarantees and options are described in the section for each sub-area.

#### **4.4 Profit/loss, guarantees and options**

If the item is used, provide an explanation in the comment field.

An example of a guarantee is guaranteed pension amounts. An example of an option is the possibility of adding co-insured during retirement.

#### **4.5 Revaluation from assumption on premiums and pay-outs to assumptions on technical provisions**

This item refers to profit or loss when revaluing future payments, for example claims incurred and operating expenses, from premium and payment assumptions to provisioning assumptions.

#### **4.6 Change in provisions due to changed specific assumptions**

Enter here effects of conversion to new calculation assumptions that are of such a nature they cannot be attributed to mortality, operating expenses, migration, transfer, options, guarantees or return on capital.

If the Swedish Pensions Agency has improved its calculation model and makes the assessment that the part of the profit/loss which is due to altering the model would give a distorted view if it were included under the respective assumptions, this part of the profit/loss can instead be entered here. Released charges for safety assumptions are reported here. If the item is used, provide an explanation in the comment field.

#### **4.7 Other unspecified insurance risks**

Enter here Items which otherwise affect the profit/loss for insurance risks. If the item is used, provide an explanation in the comment field.

#### **4.8 Other unspecified operating expenses**

Enter here Items which otherwise affect the profit/loss for operating expenses. If the item is used, provide an explanation in the comment field.

### **Return on capital**

#### **4.10 Return on capital, net**

Enter here unrealised profit or loss on investment assets and increases and decreases in the value of investment assets for which the life insurance policyholder bears the investment risk. This item is reported less operating expenses for asset management and property management.

#### **4.11 Return on capital allocated to technical provisions**

Enter here the return on capital, before assumed charges, which according to the actuarial calculation basis is attributed to the Swedish Pensions Agency's technical provisions.

#### **4.12 Change in provisions due to changed interest rate assumptions**

Enter here the change in the provisions that arises due to the level of interest rates at the end of the year. The net profit/loss that arises as an effect of differences in interest rate assumptions in premium calculations is entered under 4.5.

#### **4.14 Other, by class of insurance**

If the item is used, provide an explanation in the comment field.

#### **4.15 Unattributed amount**

An unattributed amount is calculated for each class of insurance in such a way that the total for the partial profit/loss is equivalent to the item 4.16.

#### **4.16 Partial profit/loss, by class of insurance**

The partial profit/loss for each class of insurance is calculated as the sum of

- the technical profit/loss according to the annual report's profit/loss analysis, less
- the insurance class's part of the item in the annual report Return on capital transferred to the financing business.

#### **4.17 Profit/loss for the year in accordance with the annual report**

The information corresponds to profit/loss for the year in the income statement.

#### **Analysis of mortality assumptions**

Enter here a comparison between the mortality assumptions in the technical provisions and actual outcome.

The figure refers to the sum of the total data, broken down into the insurance classes traditional life insurance and unit-linked insurance.

#### **4.18 and 4.23 Capital at risk for the year**

Capital at risk for the year refers to the insured persons' average capital at risk during the financial year. The sum of the capital at risk for the year is reported with a minus sign for life mortality risk.

#### **4.19 and 4.24 Inheritance gain**

Inheritance gain refers to the insureds' risk inheritance gain during the financial year. The item is reported with a minus sign for life mortality risk.

#### **4.20 and 4.25 Capital at risk actual deaths**

Enter here released capital at risk in those cases where the insured has died. The capital at risk is reported with a minus sign for life mortality risk.

#### **4.21 and 4.26 Adjustment item due to changed assumptions**

If a change has been made to a reserve due to changed calculation assumptions, this is reflected in the profit/loss. If the Swedish Pensions Agency has difficulty calculating risk premiums and capital at risk, based on new assumptions, the Agency may use the item to correct the profit/loss. The item is reported with a minus sign for life mortality risk. If the item is used, an explanation shall be provided in the comment field.

### **Analysis of operating expense assumptions**

Enter here a comparison between the technical provisions' operating expense assumptions and the actual outcome.

#### **4.29 Estimated operating expenses**

Enter here expected released operating expense charges. Migration and transfer are reported separately.

#### **4.30 Actual administrative expenses**

Enter here actual operating expenses less expenses for migration and transfer, which are reported separately.

#### **4.31 Reversed fund management fee**

Enter here remuneration from fund managers, which are an income in the context of operating expenses.

#### **4.32 Adjustment item due to changed assumptions**

If a change has been made to a reserve due to changed calculation assumptions, this change is reflected in the profit/loss. If the Swedish Pensions Agency experiences difficulties carrying out calculations based on the new assumption, the Agency may use this item to correct the profit/loss. The item is reported with a minus sign for life mortality risk. If the item is used, provide an explanation in the comment field.

### **Analysis of assumptions concerning migration and transfer**

Migration refers to transfers from unit-linked insurance to traditional insurance. Transfer refers to transfer of pension rights to the pension plan that applies to employees in the EU's central activities.

#### **4.34 Estimated fee for migration and transfer**

Enter here expected fees for migration and transfer.

#### **4.35 Actual cost for migration and transfer**

Enter here actual costs of migration and transfer.

#### **4.36 Estimated reduced provision**

Enter here provisions released due to migration and transfer.

#### **4.37 Actual reduced provision**

Enter here the Swedish Pensions Agency's realised provisions released due to migration and transfer.

#### **4.38 Adjustment item due to changed assumptions**

If a change has been made to a reserve due to changed calculation assumptions, this change is reflected in the profit/loss. If the Swedish Pensions Agency experiences difficulties carrying out calculations based on the new assumption, the Agency may use this item to correct the profit/loss. The item is reported with a minus sign for life mortality risk. If the item is used, provide an explanation in the comment field.

## **5 Technical provisions**

This section analyses changes in technical provisions during the year broken down into various items. The items are reported before reinsurance. Closing technical provisions correspond to the sum of items 2.10 and 2.11 according to section 2. The



majority of the items in this section correspond to the values in section 4, but with the opposite sign. Data is reported broken down by insurance class. The items are reported to the extent they are applicable given the class of insurance.

### **5.1 Opening technical provision**

This item corresponds to the closing technical provisions for the previous year.

### **5.2 Incoming payment**

Enter here all incoming payments, for example incoming payments of pension capital from a transfer to a unit-linked policy, premium pension rights, reversed fund management fees, and distribution from funds.

### **5.3. Outgoing payment**

Enter here all outgoing payments, for example pension payments from unit-linked policies and traditional policies or changed premium pension rights.

### **5.4 Charges**

Enter here fees charged to the insurance policy. Migration and transfer are reported separately.

### **5.5 Return on capital allocated to technical provisions**

Return on capital during the year is reported here. The item is reported with a minus sign if the value is negative. The item includes, for example, a change in value of unit-linked insurance policies.

### **5.6 Change in provisions due to changed assumptions**

This is used to recognise the change in the provision due to a changed discount rate, a change in lifespan assumptions (for example, due to observed differences in lifespan for the insurance portfolio), a change in the assumptions concerning morbidity settlement and a change in operating expenses assumptions (for example, observed differences in the insurance portfolio).

### **5.7 Revaluation from assumption on premiums and pay-outs to assumptions on technical provisions**

Enter here profit or loss when revaluing future payments, for example claims incurred, operating expenses and premiums, from premium and payment assumptions to provisioning assumptions.

### **5.8 Risk profit/loss**

Enter here life mortality profit/loss, but not items that refer to adjustments for changed assumptions.

### **5.9 Profit/loss migration and transfer**

Enter here the profit/loss for migration and transfer.

### **5.10 Profit/loss guarantees and options**

The change in the provision due to guarantees and options is reported here. An example of a guarantee is guaranteed pension amounts. An example of an option is the possibility of adding survivor benefits during retirement.

### **5.11 Other changes by class of insurance**

If the item is of substantial size, an explanation must be provided.

### **5.12 Unattributed amount**

If the item is of substantial size, an explanation must be provided.

### **5.13 Closing technical provision**

Closing technical provisions correspond to balance sheet items 2.10 and 2.11 according to section 2.

## **6 Analysis of bonus calculations**

### **Introduction**

This section intends to analyse applied parameters to the bonus plan (second order level) during the financial year for traditional life insurance, where any surplus or deficit is calculated and distributed among individual insurance policies in the form of forecasts of retrospective reserves (pension capital). The result can vary from year to year, and it is necessary to look at several years in order to determine whether the assumptions are reasonable.

### **6.1 Description of sub-portfolio**

In cases where the Swedish Pensions Agency applies different rules and conditions for handling, for example, consolidation of investments (in light of, e.g., different guaranteed interest rates) or other parts of the business (e.g., different mortality assumptions) that affect the profit/loss and surpluses, the report is broken down into sub-portfolios A, B, and C.

If there are no conditions for a breakdown into sub-portfolios, only the sub-portfolio A is reported. The sub-portfolios are reported in decreasing order after the size of the retrospective reserve.

The Swedish Pensions Agency may determine how to appropriately delineate the sub-portfolios in its reporting based on the focus of the business, but it shall describe in brief how the delineation was made and what characterises the different portfolios under 6.1. The delineation that the agency chooses should be maintained in the reporting for several years going forward.

### **Other information**

Please note that the section does not have any direct link to formal and public accounts, unlike other accounting in these instructions – including the description according to section 4 – even though some actual values can be obtained from this section (see more below).

In this section, the assumptions applied when forecasting the retrospective reserves for long-term insurance business are balanced against the Swedish Pensions Agency's actual outcome for return on capital, mortality and operating expenses. Differences are then calculated. One positive difference is that the Swedish Pensions Agency for a number of reasons has compensated for, alternately covered life mortality, the outcome more than what is required. One negative difference is that the retrospective reserve has not been sufficiently corrected. Because the section focuses on the changes to the retrospective, this means that the signs for the values are inverse compared to section 4.

Each negative value the Swedish Pensions Agency reports in the section is stated with a minus sign. No sign is used when reporting positive values.

For all divergences from the instructions for this section, an explanation shall be provided.

Where it is difficult to produce accurate data, it may be sufficient to perform average value calculations during the year in an appropriate way. Other types of estimates may also be necessary at times.

### **Differences: Comparisons between impact on the retrospective reserve and actual values**

Information that impacts the retrospective reserve is reported under items 6.2–6.19. Calculated differences refer to all impact during the year, even for insurance policies that were started or terminated during the year.

### **Return on capital**

In this report, the actual return on capital has a negative value, while the change in the retrospective reserve has a positive value. Even when there is a negative actual return on capital and a negative change in retrospective, this is taken into account when the value is reported.

#### **6.2 Return on capital, net**

This item includes unrealised profit or loss on investment assets and increases and decreases in the value of investment assets for which the life insurance policyholder bears the investment risk. Enter this item less operating expenses for asset and property management. Interest on the return is excluded.

#### **6.3 Return on capital allocated to retrospective reserve**

The item refers to gross return, in other words return on capital before deductions for tax on returns and operating expense fees. Enter it as a positive value provided that the return is positive.

### **Life mortality**

Enter here the actual inheritance gains on the retrospective reserve as a positive value and enter the capital at risk that is released as a negative value.

#### **6.5 and 6.8 Inheritance gain on the retrospective reserve**

The amount is reported as a positive value.

#### **6.6 and 6.9 Capital at risk actual deaths (second order level)**

The amount is reported as a negative value.

### **Operating expenses**

Enter here the actual fees withdrawn from the retrospective reserve as a negative value, and the actual operating expenses in each business are normally reported as a positive value. The data are taken from section 4, are reported here with the opposite sign.

#### **6.14 Actual administrative expenses**

The actual operating expenses as per the annual report are reported here. The item is reported as a positive value.

**6.15 Reversed fund management fee**

Enter here remuneration from fund managers which is an income the Swedish Pensions Agency in the context of operating expenses. The item is reported as a negative value.

**6.16 Difference operating expenses (sum of items 6.12, 6.14 and 6.15)**

Enter here the fees charged with the actual net operating expenses the Swedish Pensions Agency has had. A positive difference means that the fees charged do not cover the actual operating expenses.

**Some other data**

**6.17 Allocation or reallocation**

Enter here the amount that has momentarily changed the retrospective reserve positively or negatively during the year depending on the economic outcome of the business and that is based on a specific decision by the undertaking on the basis of policy documents in respect of the Swedish Pensions Agency's consolidation level.

**6.18 Changes in deficit over the year that apply to technical surrender values**

TSV refers to technical surrender values.

An increase in the deficit is reported as a positive value, while a reduction is reported as a negative value. If there is no deficit, the value is reported as zero.

**6.19 Changes in deficit over the year that apply to VP**

VP refers to disbursement reserves for valid periodic amounts, including supplementary amounts due to bonuses.

An increase in the deficit is reported as a positive value, while a reduction is reported as a negative value. If there is no deficit, the value is reported as zero.

**Consolidation of deficits, technical surrender values, disbursement reserves and retrospective reserves**

**6.20 Closing deficit in the retrospective reserve that applies to technical surrender values**

If the retrospective reserve is less than the technical surrender amount, the difference between the larger and the smaller value is reported as a deficit. Such a deficit shall only be reported for insurance policies that are being paid.

**6.21 Closing deficit in the retrospective reserve that applies to VP**

Enter here amounts subject to a payment period. The higher of the two specified variables (max. functions) indicates a positive value for a deficit; otherwise, the value is given as zero.

**Consolidation**

Enter here the consolidation level for traditional life insurance. Consolidation level means the ratio between the market value of the assets and the allocated benefit values. Allocated benefit values is the sum of guaranteed obligations and allocated (preliminarily distributed) bonuses.

**6.26 Closing distributed asset values, max (retrospective reserve, TSV, VP, 0)**

Enter here the largest amount of the retrospective reserve, TSV, VP and 0.

**6.27 Consolidation level (100\*item 6.25/item 6.26 with one decimal point)**

Calculated as one hundred times the ratio between the item 6.25 Closing distributable asset values and item 6.26 Closing distributed asset values. Enter profit/loss with one decimal point.

**7 Equity ratio information**

This includes data on the equity ratio and refers only to traditional life insurance. Enter percentages with one decimal point.

**7.1 Surplus targets**

Enter here the percentage of the life insurance provisions that the Swedish Pensions Agency has calculated based on its rules on surplus targets.

**7.2 Longevity risk**

Enter here the partial profit/loss in the calculated surplus target for the risk associated with assumptions of mortality.

**7.3 Interest rate risk**

Enter here the partial profit/loss in the calculated surplus target for the risk associated with assumptions of the discount rate.

**7.4 Asset risk**

Enter here the partial profit/loss in the calculated surplus target for the risk associated with the market value of the assets.

**7.7 Actual surplus (100\*(item 7.6–item 7.5)/item 7.5)**

Actual surplus is calculated as the difference between the market value of the assets and the life insurance provision, expressed as a percentage of the life insurance provision.