

SWEDEN

Key characteristics of the insurance market



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1 Introduction

1.1 General

At the end of 2017 (2017 Q4), 124 insurance companies¹ in Sweden submitted their Solvency II related reporting package to the Swedish National Supervisory Authority (NSA). These companies accounted for 2,734% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Sweden by insurance activities and the importance of the country within the EU, based on Total assets.

Table 1 - Insurance reporting submissions

Insurance reporting submissions	#
Life undertakings	17
Non-Life undertakings	92
Reinsurance undertakings	2
Composite undertakings	13
Total	124
Total assets SE / Total assets EU %	2,734%
Ranking SE based on Total assets EU	9

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1.2 Balance sheet

At the end of 2017 (2017 Q4), Sweden was the number 9 country in the EU insurance market in terms of assets held with an amount of 309 billion EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, Sweden ranked number 7 in terms of absolute amount with 126 billion EUR invested in this category. However, with 40,8% of Total assets of this category, Sweden was significantly above the EU average, i.e. 24,3% in terms of Total assets.

In terms of technical provisions, 25,9% of the total balance sheet relates to the life business (i.e. non index-linked and unit-linked business), while 6,0% represented non-life obligations.

¹ In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market covered in this factsheet therefore refers to insurers and reinsurers;

Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	174 552	9	56,5%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	126 067	7	40,8%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	8 129	11	2,6%	8,1%	8,4%	2,1%	19,5%	4,9%
Total assets	308 748	9	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%
Technical provisions - life	79 894	9	25,9%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	18 492	9	6,0%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	121 718	7	39,4%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	12 471	11	4,0%	8,9%	9,0%	4,0%	21,3%	3,9%
Total liabilities	232 575	10	75,3%	86,9%	77,6%	49,1%	92,7%	11,1%
Excess of assets over liabilities	76 173	5	24,7%	13,1%	22,4%	7,3%	50,9%	11,1%
Total liabilities + Excess of assets over liabilities	308 748	9	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the Swedish insurance market as a whole had available own funds that were more than double the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio amounted to 253% and is above the one of the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Sweden is ranked at the 8th position in terms of the reported SCR ratios.

Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)

in Mio EUR	SE		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	75 313	5	-	-	-	-	-
SCR	29 737	6	-	-	-	-	-
Surplus available own funds	45 577	5	-	-	-	-	-
Ratio of Eligible own funds to SCR	253%	8	237%	225%	135%	361%	52%
Ratio of Eligible own funds to SCR (10th percentile)	146%	8	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	167%	11	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	207%	13	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	254%	18	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	341%	21	457%	396%	173%	643%	99%
Ratio of Eligible own funds to MCR	904%	3	640%	613%	282%	933%	170%

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of LTG and transitional measures. According to that report, at year-end 2017, Swedish participants reported an SCR ratio of 254% including the application of LTGs and transitionals. Removing the measures caused no impact on the SCR ratio.²

² https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf

2 Investments, deposits, cash and cash equivalents

2.1 Scope

The asset allocation of Swedish insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification which can differ from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) do not differ. In terms of allocation in percentage, we note a small shift from Deposits towards Cash and cash equivalent when going from Solvency II Balance Sheet to the Exposure list.

Table 4 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list SE		Solvency II balance sheet SE		Difference
	#	%	#	%	#
Life undertakings	17	13,7%	17	13,7%	0
Non-Life undertakings	92	74,2%	92	74,2%	0
Reinsurance undertakings	2	1,6%	2	1,6%	0
Undertakings pursuing both life and non-life insurance activity	13	10,5%	13	10,5%	0
Total	124	100,0%	124	100,0%	0

in Mio EUR	Exposure list SE		Solvency II balance sheet SE		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	49 076	28,1%	49 076	28,1%	0,0%
Holdings in related undertakings, including participations	n/a	n/a	13 176	7,5%	n/a
Equities	n/a	n/a	35 900	20,6%	n/a
Equities - listed	n/a	n/a	26 888	15,4%	n/a
Equities - unlisted	n/a	n/a	9 012	5,2%	n/a
Collective Investments Undertakings	29 269	16,8%	29 269	16,8%	0,0%
Bonds	76 745	44,0%	76 745	44,0%	0,0%
Loans and mortgages	5 467	3,1%	5 467	3,1%	0,0%
Property	5 902	3,4%	5 902	3,4%	0,0%
Deposits	275	0,2%	391	0,2%	-0,1%
Cash and cash equivalents	6 170	3,5%	6 055	3,5%	0,1%
Other investments	1 647	0,9%	1 647	0,9%	0,0%
Total	174 552	100,0%	174 552	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed and unlisted equity, whereby Holdings in related undertakings (including participations) are excluded.

Table 5 - Listed and unlisted equity exposure based upon Solvency II balance sheet (S.02.01)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	26 888	3	74,9%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	9 012	2	25,1%	16,3%	25,0%	0,4%	87,0%	21,1%
Total equities	35 900	3	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

Based upon the quarterly reporting as of Q4 2017, Swedish insurers invested 74,9% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 26 888 million EUR, Sweden ranked number 3 in the EU.

With an invested amount of 9 012 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 25,1%. This placed Sweden as the number 2 in the EU.

2.2 Asset exposure

From an asset exposure perspective, the insurance market in Sweden mainly invested in Government bonds and Corporate bonds (in total 43,9% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (16,8%), and Equity (28,1%).

Within the bond categories, the insurance market was exposed to government securities (14,8%) and corporate debt (29,1%), categories for which Sweden ranked number 10 and number 8 respectively, in the EU. Comparing the different assets classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.

The category of Collective Investment Undertakings was the third most important for the Swedish insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Equity funds, Debt funds, and Alternative funds for which Sweden ranked respectively number 5, number 9, and number 2 in the EU.

Equity was the second category to which the Swedish insurers had the most exposure. Equity of real estate related corporation constitutes 4,0% within the 28,1% of the total equity exposure.

Table 6 - Asset exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	49 076	5	28,1%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	39 259	5	22,5%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	7 001	4	4,0%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	2 815	6	1,6%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings	29 269	6	16,8%	19,2%	12,8%	1,5%	41,6%	9,3%
Equity funds	12 759	5	7,3%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	3 344	4	1,9%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	5 519	9	3,2%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	834	8	0,5%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	109	13	0,1%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	395	10	0,2%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	5 407	2	3,1%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	252	7	0,1%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	649	10	0,4%	2,0%	0,9%	0,0%	7,2%	1,7%
Government bonds	25 853	10	14,8%	28,7%	39,7%	10,0%	77,0%	18,9%
Corporate bonds	50 781	8	29,1%	26,9%	21,6%	1,8%	47,3%	11,2%
Structured notes	84	13	0,0%	1,3%	0,5%	0,0%	2,5%	0,6%
Collateralised securities	27	14	0,0%	0,6%	0,6%	0,0%	9,3%	1,8%
Mortgages and loans	5 467	7	3,1%	4,8%	3,8%	0,3%	26,3%	5,2%
Property	5 902	9	3,4%	2,0%	3,5%	0,8%	11,6%	2,6%
Deposits	275	15	0,2%	2,8%	3,6%	0,2%	16,6%	3,6%
Cash and cash equivalents	6 170	8	3,5%	1,4%	4,3%	0,5%	16,6%	3,5%
Other investments	1 647	3	0,9%	0,1%	0,1%	0,0%	0,9%	0,3%
Not reported	0	-	0,0%	0,0%	0,0%	0,0%	0,3%	0,1%
Total Investments, deposits, cash and cash equivalents	174 552	9	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7, based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers.

Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life and Composite insurance undertakings, and reinsurers

in %	SE			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
Equity	7,2%	26,9%	31,2%	6,6%	18,3%	16,5%
Common equity	4,9%	22,4%	24,5%	5,0%	16,2%	14,9%
Equity of real estate related corporation	0,4%	3,6%	4,7%	1,0%	0,8%	1,2%
Other equity	2,0%	0,9%	2,0%	0,6%	1,3%	0,4%
Collective Investment Undertakings	9,7%	15,3%	18,3%	22,4%	22,3%	13,8%
Equity funds	3,2%	7,1%	7,9%	3,7%	2,9%	2,7%
Private equity funds	1,2%	2,8%	1,5%	0,5%	0,5%	0,5%
Debt funds	2,4%	3,9%	2,8%	9,7%	9,7%	4,7%
Money market funds	1,9%	0,2%	0,5%	2,8%	1,4%	2,0%
Asset allocation funds	0,1%	0,2%	0,0%	1,3%	1,2%	0,9%
Real estate funds	0,0%	0,3%	0,2%	1,6%	1,8%	1,4%
Alternative funds	0,0%	0,7%	4,8%	0,3%	0,3%	0,5%
Infrastructure funds	0,4%	0,0%	0,2%	0,2%	0,2%	0,3%
Other	0,5%	0,1%	0,5%	2,3%	4,3%	0,8%
Government bonds	28,0%	12,6%	14,5%	28,1%	19,1%	33,4%
Corporate bonds	37,0%	31,5%	26,9%	29,2%	29,3%	22,9%
Structured notes	0,1%	0,1%	0,0%	1,4%	0,6%	1,5%
Collateralised securities	0,0%	0,0%	0,0%	0,8%	0,6%	0,5%
Mortgages and loans	10,2%	5,4%	1,1%	7,4%	3,2%	2,3%
Property	0,0%	4,1%	3,4%	2,0%	2,5%	1,7%
Deposits	0,0%	0,4%	0,2%	0,8%	1,6%	5,8%
Cash and cash equivalents	7,8%	3,7%	2,9%	1,0%	2,5%	1,4%
Other investments	0,0%	0,0%	1,5%	0,2%	0,0%	0,1%
Not reported	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Total Investments, deposits, cash and cash equivalents	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their Investments in Equity (18,3% equity investments) in comparison to pure Life insurers (6,6% equity investments). In Sweden, this difference was even more pronounced, and we note that Composite insurers invested more of their assets into this category than their life and non-life counterparts.

On the other hand, at EU level, pure Life insurers and also Composite insurers allocated a smaller share of their investments to government bonds as compared to Non-Life insurers. Another observation was the contrast in behaviour between Swedish Composite insurers and their counterpart at EU level with regard to the government bonds: Swedish Composite insurers reported 14,5% of their investments in this category, in sharp contrast to the EU level which amounted to 33,7%.

2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways:

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity and Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List does not provide further details whether the equity exposures relate to listed or unlisted equity positions. In addition, the Solvency II Exposure List does not mention whether the equity relates to Holdings in related undertakings, including participations;
- Therefore, the listed and unlisted share amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet). The adjusted equity exposure stemming from this analysis excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

Table 8 - Equity exposure based upon Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	49 076	5	28,1%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	39 259	5	22,5%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	7 001	4	4,0%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	2 815	6	1,6%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings - Equity funds	16 103	6	9,2%	3,8%	3,2%	0,4%	14,7%	3,5%
Equity funds	12 759	5	7,3%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	3 344	4	1,9%	0,5%	0,5%	0,0%	6,9%	1,3%
Structured notes - Equity risk	26	10	0,0%	0,2%	0,1%	0,0%	0,6%	0,1%
Total Equity exposure	65 205	5	37,4%	16,0%	12,7%	2,5%	37,4%	8,4%
Equity without Equity of real estate related corporation	42 075	5	24,1%	11,0%	8,4%	1,1%	24,1%	6,1%
Equity exposure without Equity of real estate related corporation	58 204	5	33,3%	15,0%	11,7%	2,4%	33,3%	7,9%
Equities market value balance sheet (rescaled to CIC scope)	35 900	3	20,6%	3,6%	3,2%	0,1%	20,6%	4,0%
Equities - listed (rescaled to CIC scope)	26 888	3	15,4%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	9 012	2	5,2%	0,6%	0,6%	0,0%	5,2%	1,0%
Equity exposure based upon (Un)Listed equities (rescaled)	52 029	4	29,8%	7,6%	6,5%	1,2%	29,8%	6,7%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In Sweden, we note that equity exposures coming from Collective Investment Undertakings amount to 9,2% and are lower than the listed and unlisted equity exposures combined which in total amount to 20,6%. Hereby the listed and unlisted equities in Sweden are not similar to the asset allocation at EU level.

2.3.1 Direct and indirect equity exposure

Table 9 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	49 076	5	75,3%	75,2%	73,4%	39,2%	94,5%	15,9%
Common equity	39 259	5	60,2%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	7 001	4	10,7%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	2 815	6	4,3%	3,9%	5,7%	0,0%	35,3%	8,8%
Indirect equity	16 129	5	24,7%	24,8%	26,6%	5,5%	60,8%	15,9%
Collective Investment Undertakings - Equity funds	16 103	5	24,7%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	12 759	5	19,6%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	3 344	4	5,1%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	26	10	0,0%	1,3%	0,7%	0,0%	4,0%	1,0%
Total Equity exposure	65 205	5	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in Sweden was invested close to twice as much in Direct equity (63,4% of Total equity) than in Indirect equity (36,6% of Total equity).

In terms of direct equity exposure, Sweden ranked number 5 and number 4 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 19,6% of Total equity, more than 3 times the amount invested in Private equity funds.

2.3.2 Equity by location

Table 10 - Equity exposure by location based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			
	EU home	EU other	outside EU (1)	Total
Equity	28 818	6 129	14 129	49 076
Common equity	19 339	6 015	13 905	39 259
Equity of real estate related corporation	6 776	60	165	7 001
Other	2 703	54	59	2 815
Collective Investment Undertakings - Equity funds	6 577	6 727	2 799	16 103
Equity funds	5 357	6 410	992	12 759
Private equity funds	1 220	317	1 807	3 344
Structured notes - Equity risk	10	11	5	26
Total Equity exposure	35 405	12 867	16 933	65 205

in %	SE			
	EU home	EU other	outside EU (1)	Total
Equity	58,7%	12,5%	28,8%	100,0%
Common equity	49,3%	15,3%	35,4%	100,0%
Equity of real estate related corporation	96,8%	0,9%	2,4%	100,0%
Other	96,0%	1,9%	2,1%	100,0%
Collective Investment Undertakings - Equity funds	40,8%	41,8%	17,4%	100,0%
Equity funds	42,0%	50,2%	7,8%	100,0%
Private equity funds	36,5%	9,5%	54,0%	100,0%
Structured notes - Equity risk	38,0%	40,8%	21,2%	100,0%
Total Equity exposure	54,3%	19,7%	26,0%	100,0%

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in Sweden favoured domestic investments to an extent, dedicating to these 58,7% of their direct equity investments, and 40,8% of their indirect investments.

Table 10 also showed that besides the home market, Swedish insurers invested significantly less in equity of other EU Member States than that of non-EU member states. The United States, the United Kingdom and Japan were the preferred destinations.

Table 11 - Direct equity exposure by location based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE	
	Amount	%
Home country	28 818	58,7%
SE	28 818	58,7%
Top 5 countries (outside home country)	14 865	30,3%
US	9 906	20,2%
GB	1 740	3,5%
JP	1 146	2,3%
Rest of World and unassigned	1 127	2,3%
LU	945	1,9%
Home + Top 5 countries (outside home country)	43 683	89,0%
Total Direct equity exposure (with real estate corporation)	49 076	100,0%

in Mio EUR	SE	
	Amount	%
Home country	22 042	52,4%
SE	22 042	52,4%
Top 5 countries (outside home country)	14 705	34,9%
US	9 794	23,3%
GB	1 735	4,1%
JP	1 134	2,7%
Rest of World and unassigned	1 097	2,6%
LU	945	2,2%
Home + Top 5 countries (outside home country)	36 746	87,3%
Total Direct equity exposure (without real estate corporation)	42 075	100,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3 Index-linked and unit-linked investments

3.1 Scope

Based upon the comparative view below, we note a minor difference with respect to the Assets held for index-linked and unit-linked investments reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list SE		Solvency II balance sheet SE		Difference
	#	%	#	%	#
Life undertakings	17	13,7%	17	13,7%	0
Non-Life undertakings	92	74,2%	92	74,2%	0
Reinsurance undertakings	2	1,6%	2	1,6%	0
Undertakings pursuing both life and non-life insurance activity	13	10,5%	13	10,5%	0
Total	124	100,0%	124	100,0%	0

in Mio EUR	Exposure list SE		Solvency II balance sheet SE		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	125 979	100,0%	126 067	100,0%	-0,1%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked, based upon the Solvency II exposure list (S.06.02).

Table 13 - Asset exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	10 236	5	8,1%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	9 002	5	7,1%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	797	5	0,6%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	436	5	0,3%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings	110 128	5	87,4%	63,2%	73,1%	30,1%	97,5%	16,3%
Equity funds	48 436	4	38,4%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	58	7	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	7 565	10	6,0%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	2 094	6	1,7%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	28 947	3	23,0%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	60	11	0,0%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	4 354	6	3,5%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	0	-	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	18 613	3	14,8%	4,6%	6,9%	0,0%	44,3%	10,0%
Government bonds	3	25	0,0%	6,4%	6,9%	0,0%	31,4%	8,4%
Corporate bonds	849	11	0,7%	3,9%	6,0%	0,0%	22,7%	6,9%
Structured notes	2 202	3	1,7%	1,6%	4,1%	0,0%	18,9%	4,9%
Collateralised securities	2	8	0,0%	0,1%	0,1%	0,0%	0,9%	0,2%
Mortgages and loans	0	-	0,0%	0,2%	0,2%	-3,7%	2,5%	1,0%
Property	0	-	0,0%	1,3%	0,6%	0,0%	7,6%	1,5%
Deposits	0	-	0,0%	1,2%	2,0%	-0,3%	14,5%	3,3%
Cash and cash equivalents	2 474	4	2,0%	1,2%	2,2%	0,0%	8,5%	2,5%
Other investments	87	4	0,1%	0,4%	0,3%	0,0%	8,1%	1,5%
Not reported	0	-	0,0%	1,2%	0,1%	0,0%	2,3%	0,4%
Total Investments, deposits, cash and cash equivalents	125 979	7	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (87,4%) and the Equity (8,1%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the asset exposure for

non index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

Relatively to the EU average, we observe a significant difference between the portion of index-linked and unit-linked related assets that were invested in Asset allocation funds, 23,0% in Sweden compared to 13,1% in the EU.

3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

Table 14 - Equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	10 236	5	8,1%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	9 002	5	7,1%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	797	5	0,6%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	436	5	0,3%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings - Equity funds	48 494	4	38,5%	26,5%	29,3%	11,2%	57,5%	10,4%
Equity funds	48 436	4	38,4%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	58	7	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Structured notes - Equity risk	1 736	3	1,4%	1,2%	2,7%	0,0%	15,0%	3,5%
Total Equity exposure	60 466	6	48,0%	47,1%	36,5%	11,7%	58,6%	10,9%
Equity without Equity of real estate related corporation	9 439	5	7,5%	16,0%	4,2%	0,0%	29,2%	6,8%
Equity exposure without Equity of real estate related corporation	59 669	5	47,4%	40,0%	36,2%	11,7%	58,6%	10,8%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Sweden, we note that total equity exposures related to index-linked and unit-linked contracts (48,0%) are higher in comparison to non index-linked and unit-linked contracts (37,4%). Equity funds are the main contributors to the total equity exposures.

3.3.1 Direct and indirect equity exposure

Table 15 – Direct versus Indirect Equity exposure

Table 15 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	SE			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	10 236	5	16,9%	38,3%	11,1%	0,0%	54,2%	15,2%
Common equity	9 002	5	14,9%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	797	5	1,3%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	436	5	0,7%	1,3%	0,8%	0,0%	9,7%	2,2%
Indirect equity	50 230	4	83,1%	61,7%	88,9%	45,8%	100,0%	15,2%
Collective Investment Undertakings - Equity funds	48 494	4	80,2%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	48 436	4	80,1%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	58	7	0,1%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	1 736	3	2,9%	2,6%	7,4%	0,0%	35,8%	9,6%
Total Equity exposure	60 466	6	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Swedish insurers invested almost all of their Assets held for index and unit-linked contracts in Indirect equity (83,1% of Total equity), with Direct equity constituting 16,9% of Total equity.



In terms of direct equity exposure, Sweden ranked number 5 and number 5 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 80,1% of Total equity whereas allocation to Private equity funds were negligible.

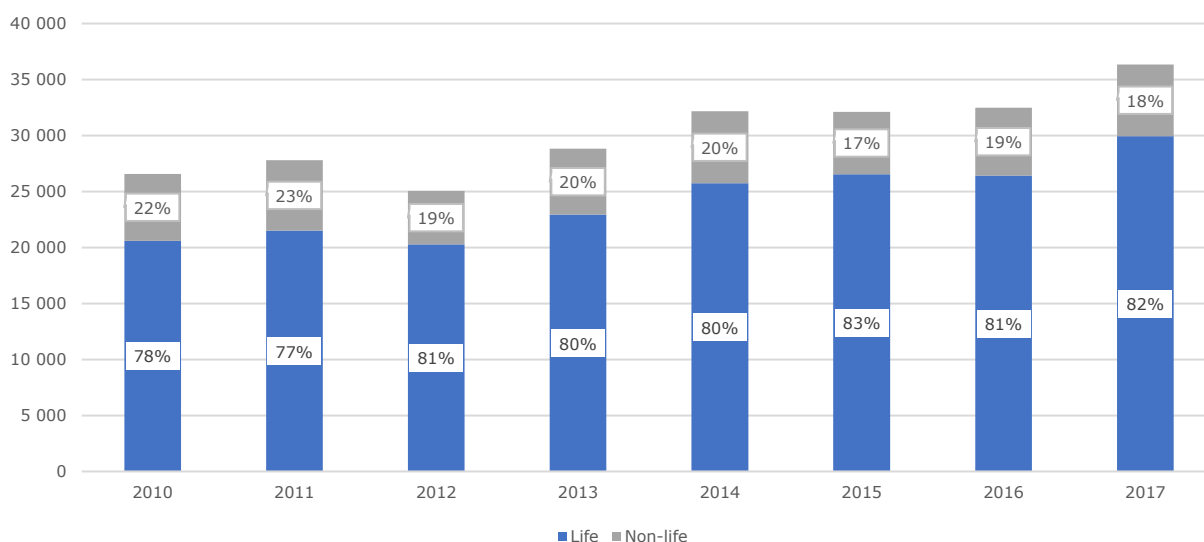
4 Insurance products

4.1 Overview

This section covers the most important insurance products offered in Sweden and the volume of the market. Data reported in this section obtained from the Statistics Sweden (SCB)³.

Since 2010, the Swedish insurance market recorded a growth rate of more than 36% and reached 36 000 million EUR in gross written premiums at the end of 2017. Similar to the European insurance market, which is dominated by the life insurance segment, business related to life insurance products totalled 30 000 million EUR, representing 82% of the market.

Graph 1 - Gross written premiums (in Mio EUR)



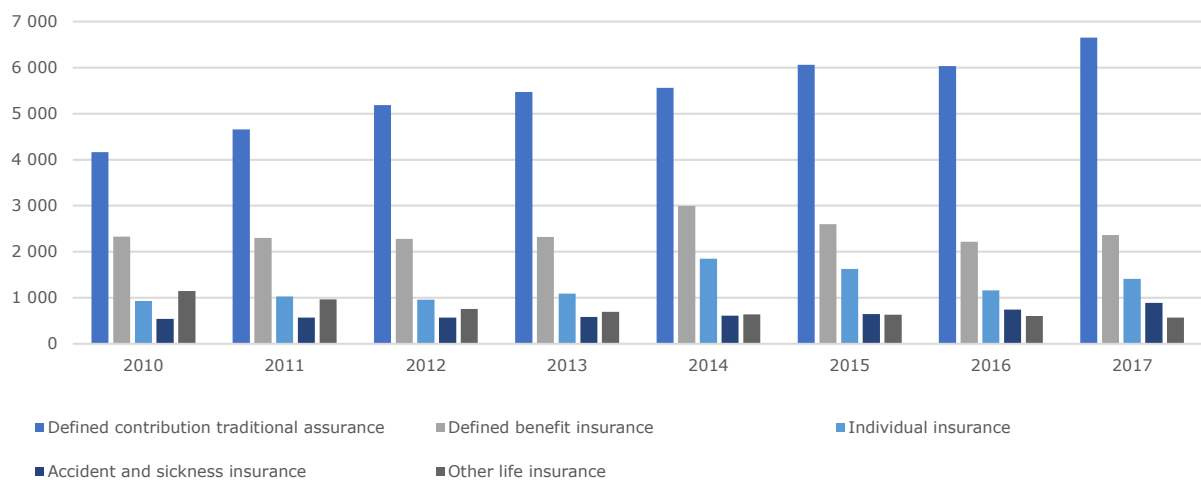
Source: SCB

³ Available at <http://www.scb.se/en/>.

4.2 Life insurance products

In Sweden, life insurance pays compensation when the person insured is injured or dies, and when the insured person reaches pensionable age. Insurance products that contain both insurance and savings components are called pension insurance. In 2017, premiums paid for pension insurance policies amounted to 10 054 million EUR and represented 84,5% of life insurance income. The majority of this is due to defined contribution insurance products, which totalled 6 655 million EUR at end 2017, defined benefits insurance products (2 362 million EUR), accident and sickness (890 million EUR), and unit-linked (147 million EUR).

Graph 2 - Gross written premiums for life insurance products (in Mio EUR)



Note: The graph displays net written premiums, as SCB does not provide gross values for the breakdown of life insurance products.

Source: SCB

4.3 Non-Life insurance products

The non-life segment of the Swedish insurance market grew by 5,7% in 2017, with the premium income standing at 6 404 million EUR.

4.3.1 Motor

Motor insurance is the most common non-life insurance class. In 2017, it represented 37,9% of the non-life premiums and accounted for 2 426 million EUR, up by 2,7% compared to 2016. Of these, 70,7% is due to motor vehicle insurance, with the remaining due to third party liability.

4.3.2 Householder and homeowner

In Sweden 96,0% of all households have home insurance. In 2017, the premium of non-life insurance related to homes, holiday homes and boats amounted to 1 341 million EUR and represented 20,9% of the non-life segment.

4.3.3 Business and real property

Insurance related to home, business and real property accounted for 16,1% of the non-life premium income at the end of 2017. It increased by 2,2% to 2016 and stood at 1 035 million EUR.

4.3.4 Sickness and accident

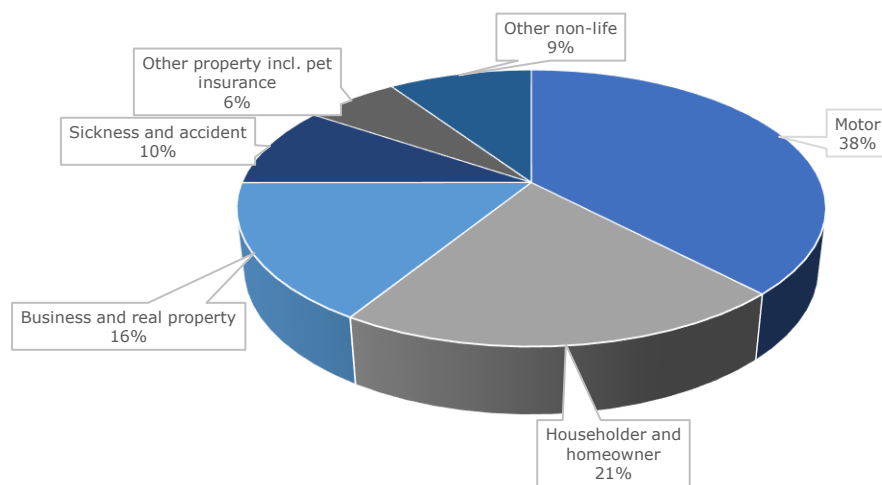
Sickness and accident insurance consists of several different types of policy, such as child insurance, rehabilitation insurance, accident insurance and various forms of sickness insurance. Gross written premiums were up by 73,2% to 606 million EUR and represented 9,5% of the market.

4.3.5 Other property

Other property which includes pet insurance, totalled 394 million EUR in gross premiums, higher by 3,1% to 2016 and represented 6,2% of the non-life insurance business.

4.3.6 Other non-life

Premiums for other non-life insurance business, such as credit and suretyship, legal protection, roadside assistance, liability insurance, financial loss, as well as marine, aviation and transport, increased by 1,2% in 2017 to 602 million EUR.

Graph 3 - Allocation of gross written premiums for non-life insurance products (in %)

Notes: Motor includes motor vehicle insurance and third party liability insurance. Other non-life insurance includes credit and suretyship, legal protection, roadside assistance, liability insurance, financial loss, as well as marine, aviation and transport.

Source: SCB

4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report⁴, which resulted in the following conclusions for Sweden:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants was 18,55.
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 16,57.

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

⁴ EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report. <https://eiopa.europa.eu/publications/surveys/eiopa-bos-16-302%20insurance%20stress%20test%202016%20report.pdf>

5 Accounting & Tax framework

5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS⁵.

1. Applicable GAAP at consolidated level: IFRS required for all listed companies and permitted for all non-listed companies⁶;
2. Applicable GAAP at statutory level: Swedish GAAP for listed companies⁶;
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

5.2 Tax framework

5.2.1 Capital gains on shares

A 100% exemption applies on capital gains on shares of resident and non-resident companies if the shares constitute a business-related holding.

Unquoted shares are always deemed to be business-related holdings if they constitute fixed business assets. Quoted shares that constitute fixed business assets and which have been owned, at the time of sale, for at least 1 year, qualify as business related assets if they:

1. represent at least 10% of the company's voting power; or
2. are otherwise considered necessary for the business conducted by the holding company or any of its affiliates.

If one or more of the above conditions is not complied with, this will result in taxation whereby capital gains on shares are considered corporate income and are taxed at the ordinary tax rate of 22%.

5.2.2 Capital losses on shares

If an exemption applies, no capital loss on shares can be deducted;

However, losses on quoted holdings considered to be business related, but which have not been held for 12 months are deductible, but only from gains arising on other shares;

Losses on the disposal of shares and other securities not deemed to be necessary for the company's business (e.g. portfolio investment) may be set off only against gains on the same type of asset. Any surplus losses may be carried forward indefinitely to be set off against gains on the same type of asset.

5.2.3 Taxation of dividends

A 100% exemption applies on dividends received by a resident company from another resident company if the shares constitute a business-related holding.

⁵ https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en
⁶ <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/sweden-ifrs-profile.pdf>



If the dividends are not treated as tax deductible expense in the country of the distributing company, the participation exemption may be extended to dividends received from the sale of shares in a non-resident company if the features of the foreign entity are similar to those of a Swedish limited liability company or economic association. Shares in an EU resident company can qualify as tax-exempt even if the shares are held as inventory, provided the holding represents at least 10% of the capital.

If the dividend does not qualify for an exemption, it is taxed at the ordinary tax rate. A 30% withholding tax (WHT) is levied on dividends paid non-resident shareholders unless the rate is reduced or an exemption applies under an applicable tax treaty, domestic law or under the EU parent-subsidiary directive. Foreign tax paid may be credited against the Swedish tax on foreign income.

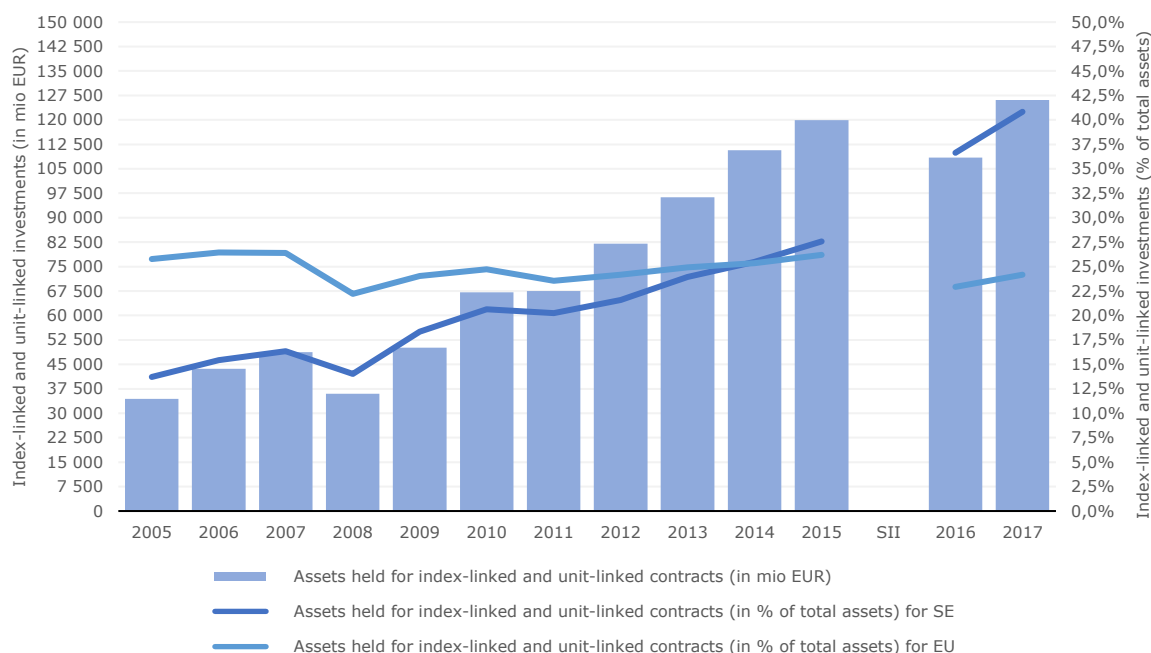
6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

6.1 Index-linked and unit-linked investments in comparison to total assets

Based upon the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of Sweden is compared to the EU. The break in Graph 4 shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II assets are presented based upon their market value.

Graph 4 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II



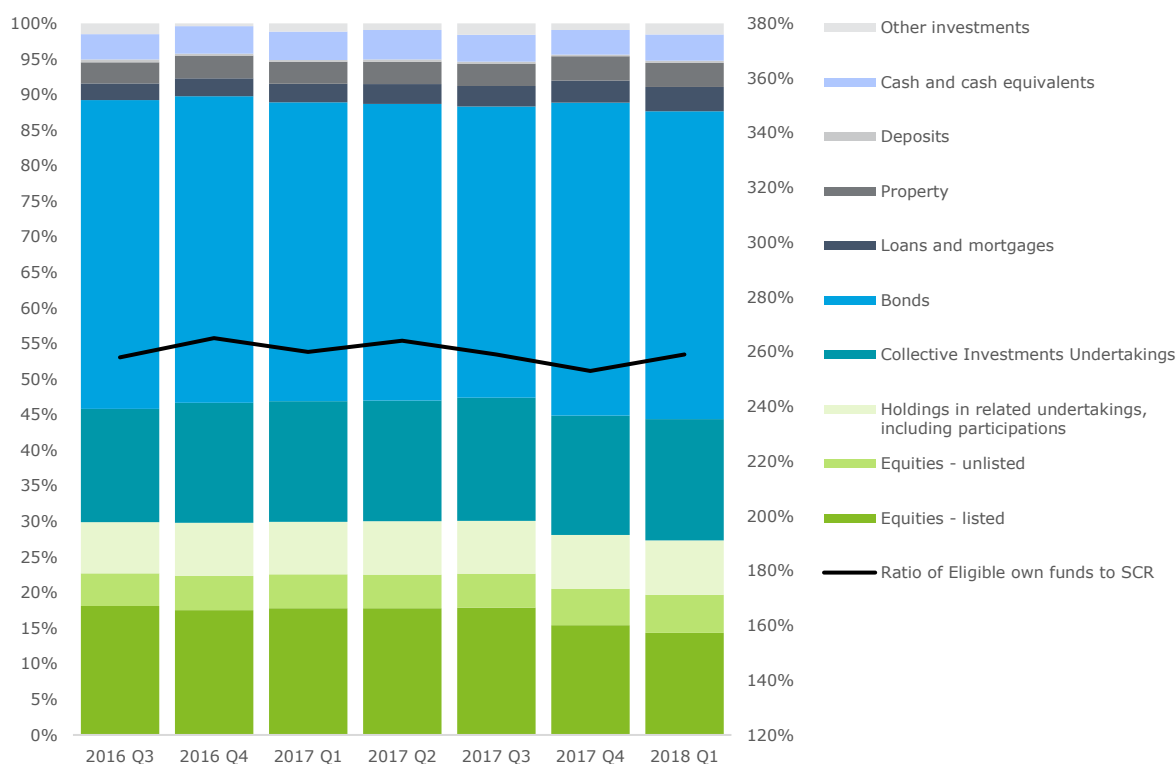
Source: EIOPA Solvency I and Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets in Sweden increases heavily as from 2008. Note that the graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011. The Swedish NSA notes that the tax regime might have a role in the increasing trend since the tax on these products are favourable compared to investment income tax for the policyholder.

6.2 Solvency II – excluding index-linked and unit-linked investments

Based upon the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 5. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

Graph 5 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the Swedish insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016⁷. This seems to be confirmed by the fact that the most dominant assets classes such as Bonds, Collective Investment Undertakings and Listed equities do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the significant part of the Swedish insurers' balance sheet since the introduction of Solvency II.

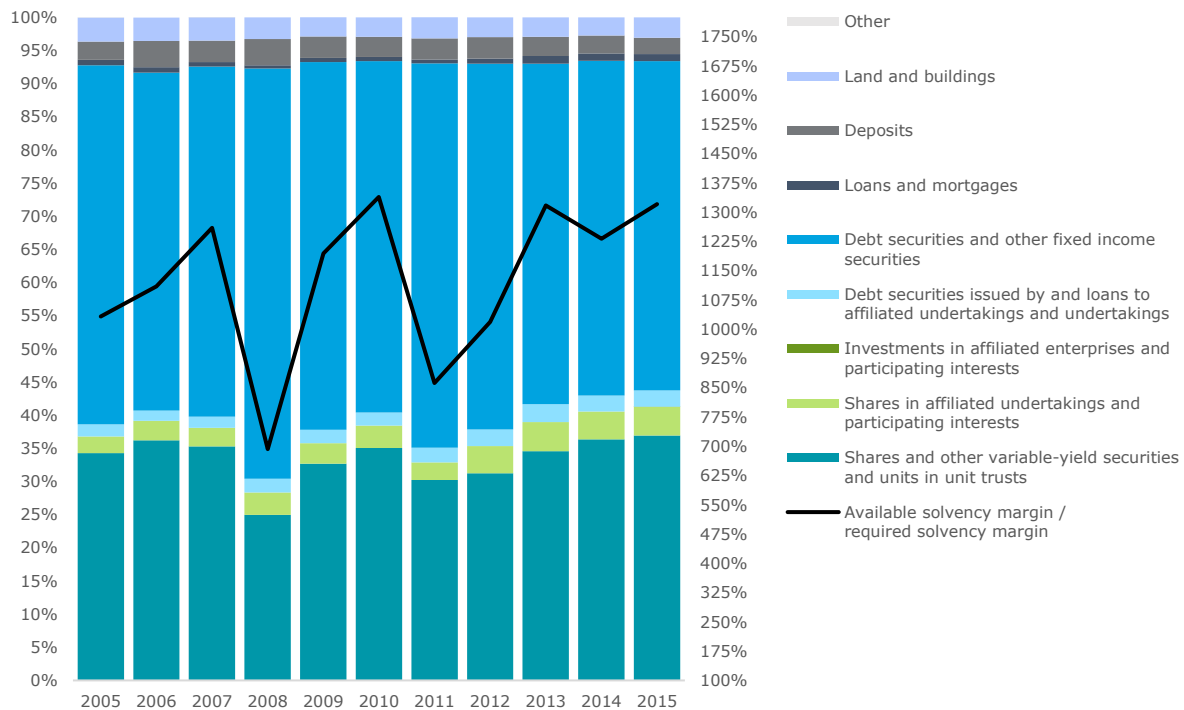
For Sweden, the SCR ratio shows a relatively stable behaviour over the period 2016 Q3 until 2018 Q1. Overall, this trend has not resulted into significant changes in the asset allocation of the overall Swedish insurance market.

⁷ Day one reporting, 2016 Q1 and Q2 are not publicly available

6.3 Solvency I – excluding index-linked and unit-linked assets

Based upon the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 6. Furthermore, the evolution of the solvency ratio is shown over the history.

Graph 6 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)

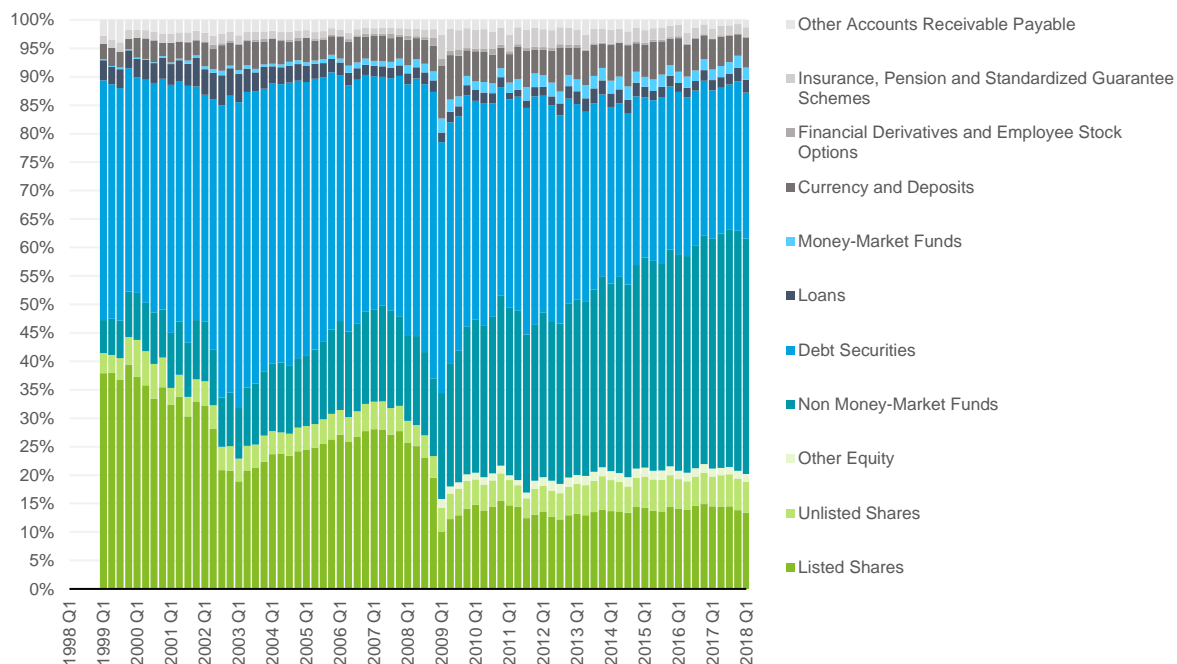


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 6, which relates to Solvency I figures suggests the following observations. The dominance of Bonds that we observed under the rules of Solvency II has been a characteristic of the Swedish insurers' balance sheet for more than a decade. Note that Shares and other variable-yield securities and units in unit trusts represent an important share of the investment assets. Furthermore, the solvency ratio shows a volatile behaviour.

6.4 European Central Bank – including index-linked and unit-linked assets

Graph 7 - Evolution ECB balance sheet items (asset categories)



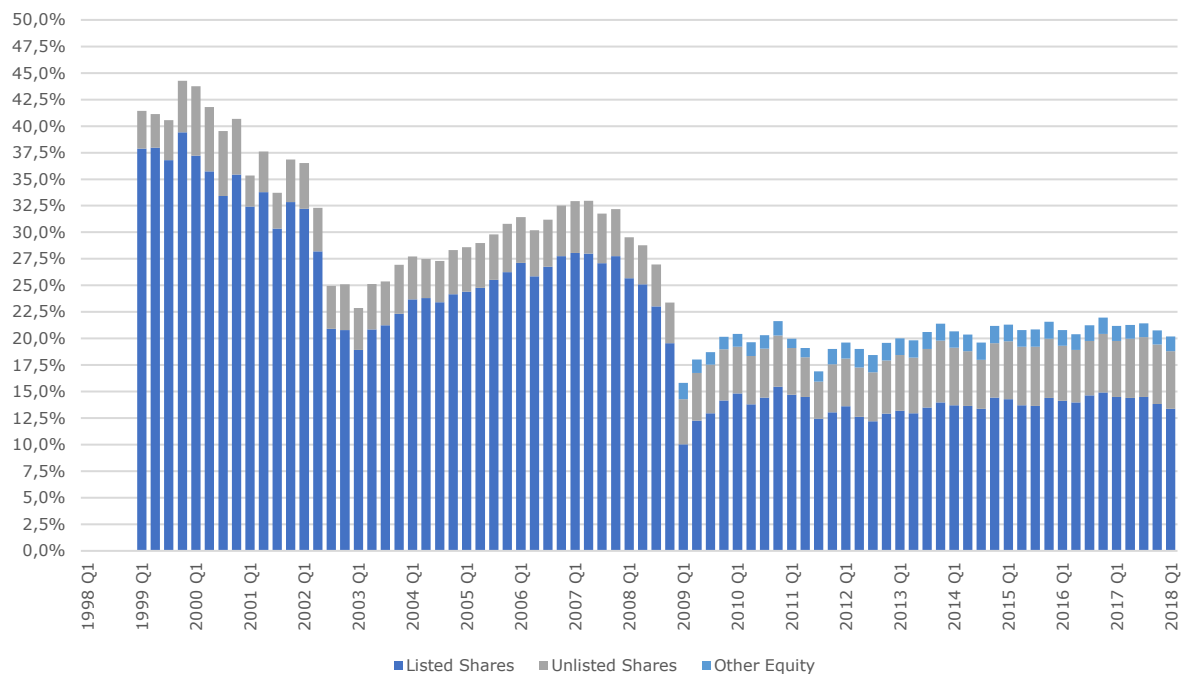
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Swedish insurers since 1999 Q1 as reported by the ECB. It can be observed that the dominance of bonds in the investments, which is observed in Solvency I, and II (see graphs above) has been decreasing. However, over the last years, there is an increasing importance of the Non Money-Market Funds. According to the Swedish NSA, the growing popularity for index- and unit-linked products is the main reason behind the growth in non-money market funds.

On the next page, the Equity asset classes are presented in a more detailed view. Furthermore, the evolution of the listed shares (normalised to a start value of 100) of Sweden is plotted against the aggregated EU data.

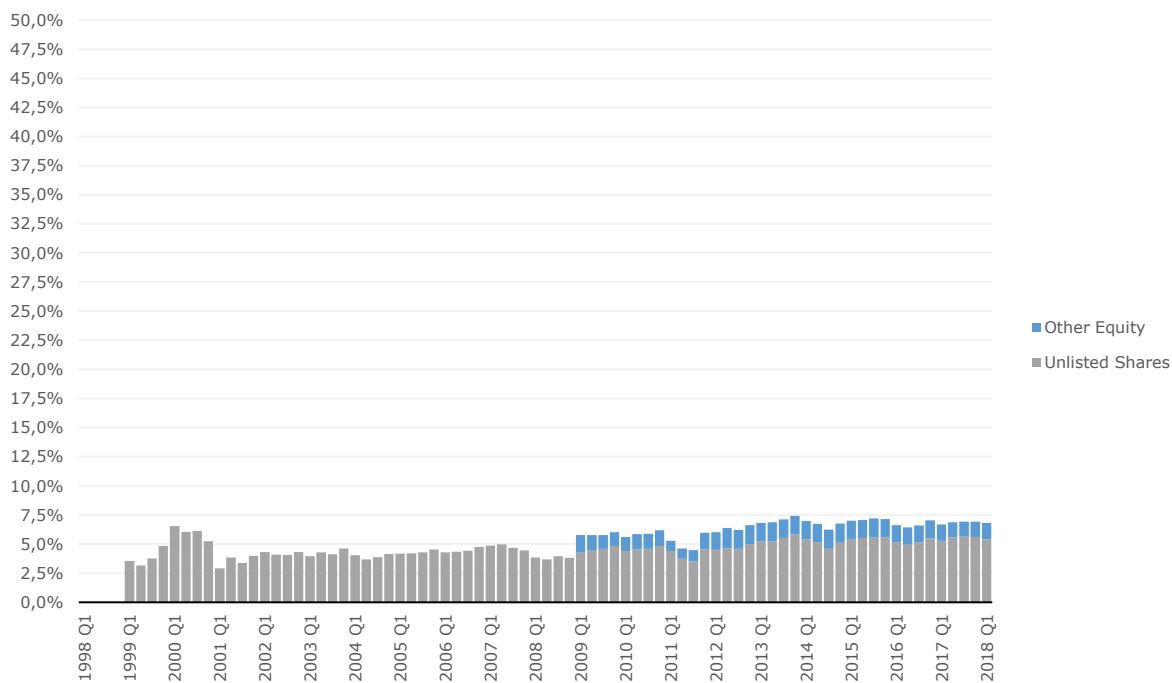
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB.

Graph 8 - Evolution ECB balance sheet items (equity categories)



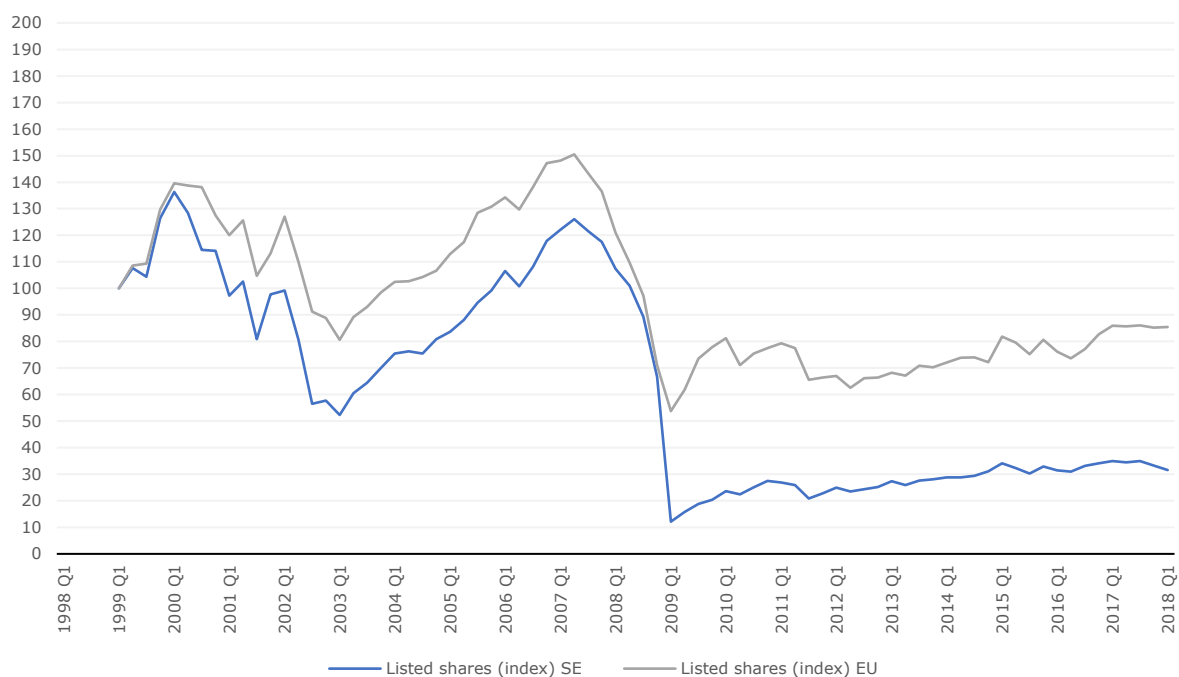
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 9 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)



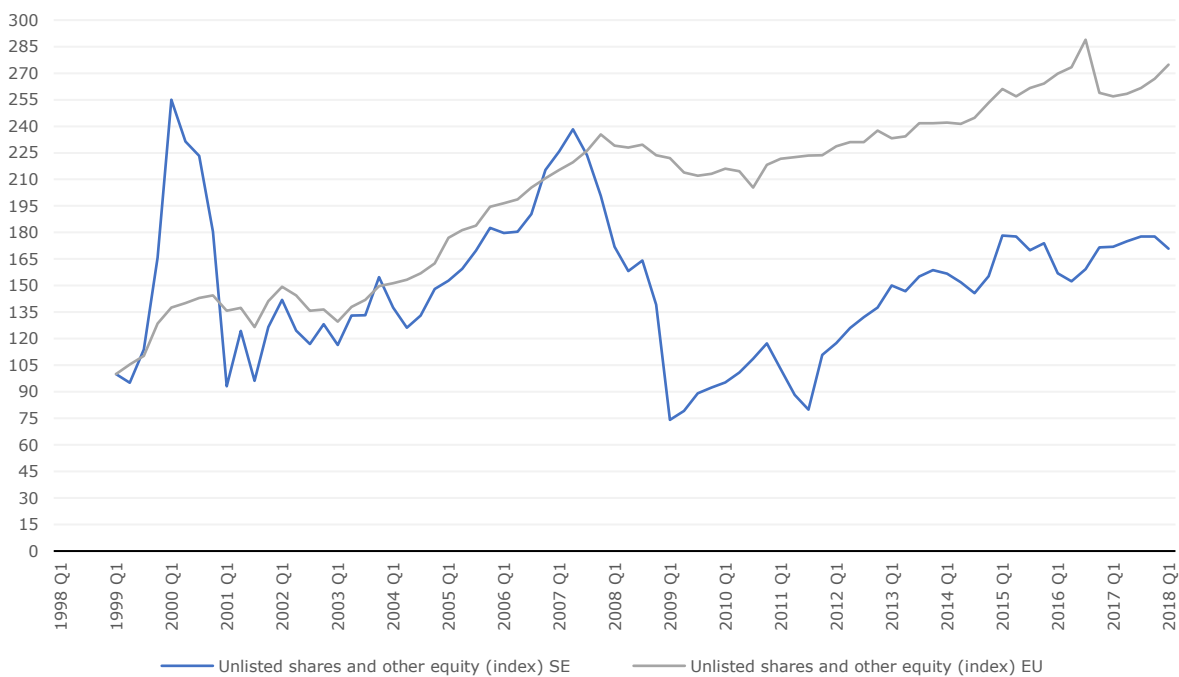
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 10 - Evolution ECB listed shares SE and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 11 - Evolution ECB unlisted shares SE and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5 Trends in Equity Investments

This section provides a trend analysis of the equity investments of insurers in Sweden using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

In the communications with the ECB, we are informed that the Statistics Sweden reclassified a number of insurance corporations to pension funds in 2009 Q1. Therefore, in the descriptions of the trends below, there is a distinction of the periods before and after this quarter (i.e. the periods before and after 2009 Q1 are treated as two different subsamples).

6.5.1 Listed Shares

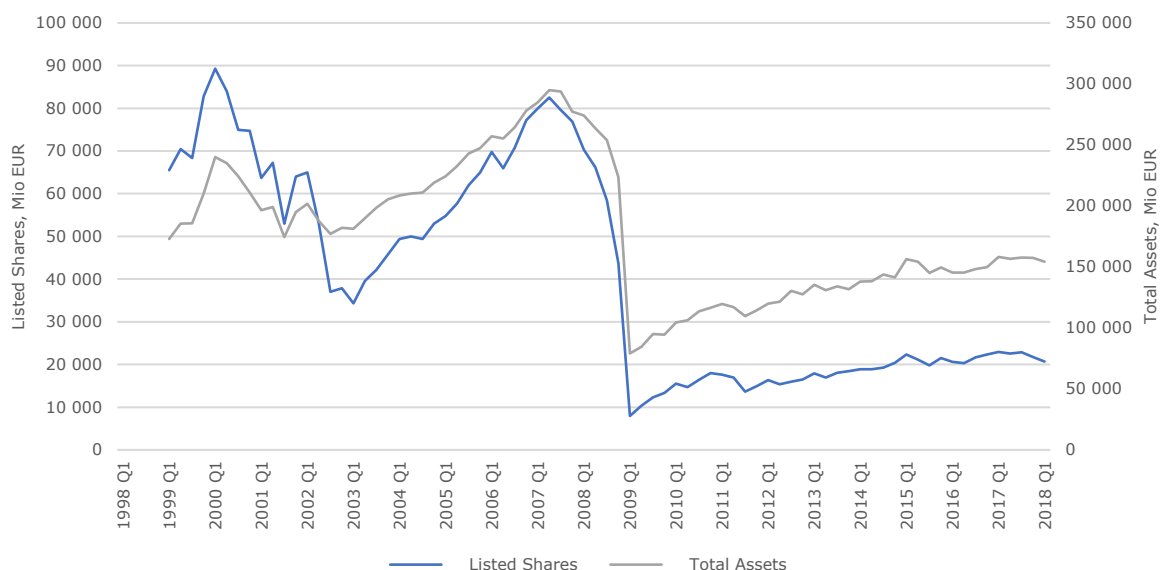
In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent to which the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this “price effect” from the observed amounts of listed shares and approximate the “real” amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a “Weighted Equity Index” similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 12 while the indexed values of the series are presented in Graph 13. Before 2009 Q1, we observe a downward trend for the investments in listed shares between 2000 and 2003. After 2003, the investments start to increase again until the Global Financial Crisis, during which both total assets and the investments in listed shares decrease. After 2009 Q1, there is an upward trend in both series.

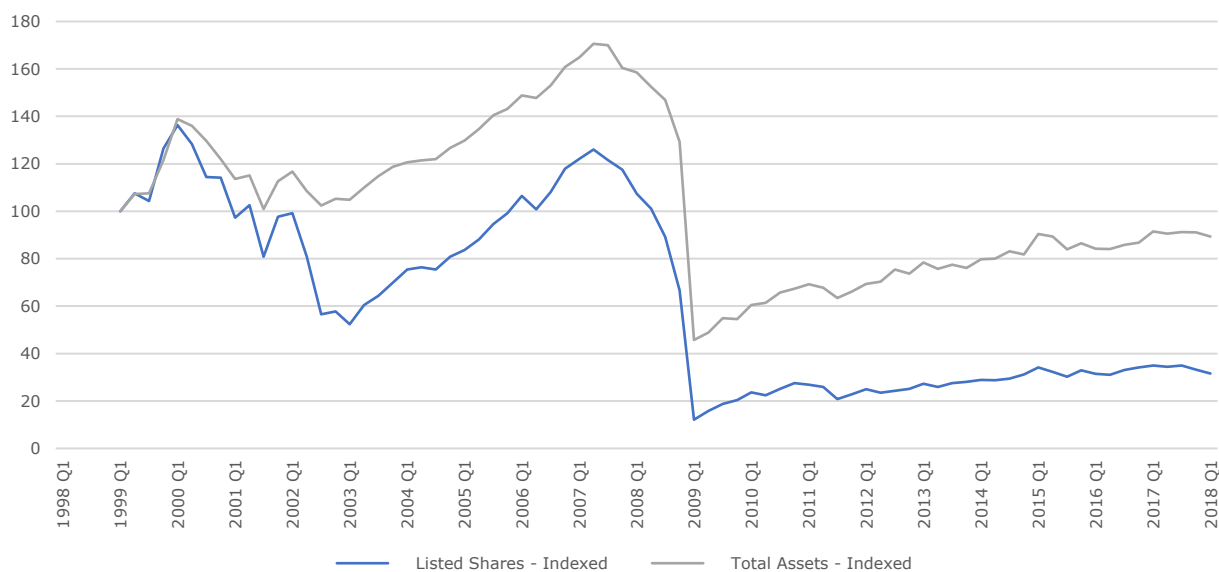
Swedish insurers have shifted their investments from listed equity towards non money-market funds, which increased from 5,8% in 1999 to 41,4% in 2018. This trend coincides with a steady increase of the unit-linked business in Sweden.

Graph 12 - Evolution of Listed Shares and Total Assets (in Mio EUR)



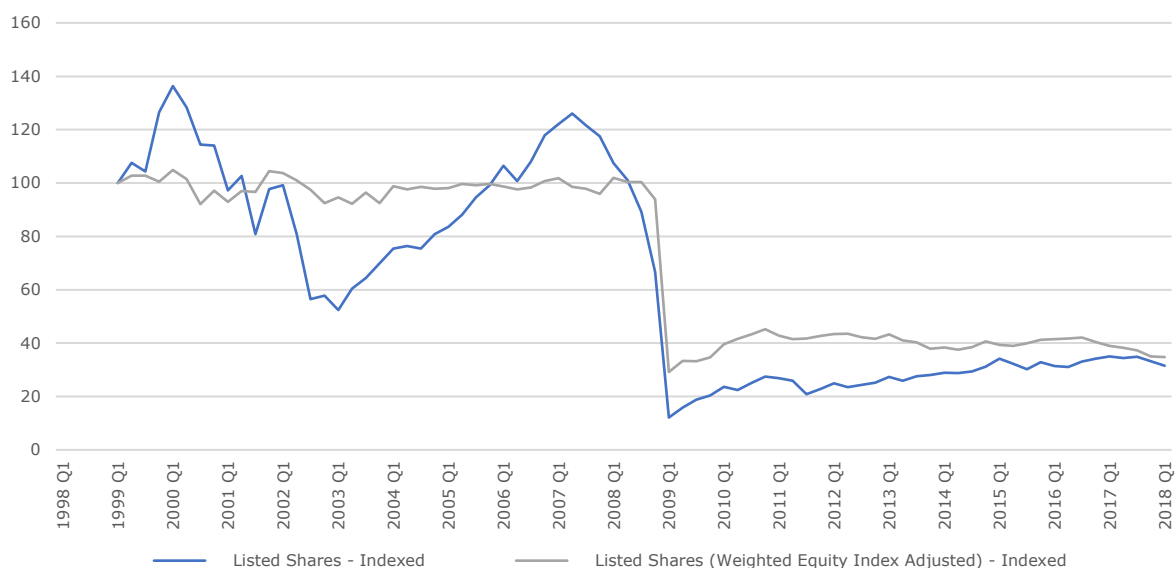
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 13 - Evolution of Listed Shares and Total Assets (indexed values)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 14 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. We observe that both before and after 2009 Q1, the adjusted investments follow a rather stable path, which suggest that the real investments of the Swedish insurers in listed shares are stable in both periods.

Graph 14 - Evolution of Listed Shares – Indexed (Weighted Equity Index Adjusted)

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5.2 Unlisted Shares and Other Equity

Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 16 presents the indexed values of the series for an easier comparison of the movements in these two series. On these graphs, it can be observed that the investments in unlisted shares and other equity follow similar trend patterns as the investments in listed shares; however, the investments in unlisted shares and other equity are more volatile. Additionally, the comparison of the indexed values suggest that unlisted shares and other equity grow more than the total assets after 2009 Q1.

Graph 15 – Evolution of Total Unlisted Shares and Other Equity and Total Assets (in Mio EUR)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 16 – Evolution of Unlisted Shares and Other Equity (indexed values)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis