The Swedish insurance market

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At the beginning of the new millennium, a new structure housing banking and insurance operations within the same financial group was adopted by all leading players in the Swedish financial services industry. Meanwhile, online self-service on the Internet has achieved a leading position in Europe. The Swedish insurance industry now (October 2007) consists of 383 insurance companies, 84 friendly societies and 36 branch offices and agents of non-Swedish companies. 137 life and 653 non-life insurance companies within the EU have notified their intention to provide cross-border services in Sweden.

The majority of the Swedish insurance companies are small, local, non-life insurance companies. The number of captive insurance companies is increasing. However, the market consists mainly of a few larger companies and company groups. The five largest Swedish insurance companies or groups have a combined total of more than 85% of the market for non-life insurance. In life insurance, the five largest insurance groups control more than 70% of the market. In recent years important Swedish life and non-life insurance companies have been acquired by foreign insurance companies with a number of these establishing branch offices and agencies in the Swedish market.

The Internet

Use of the Internet is growing in the Swedish financial sector, in which companies are in a phase of active product development. Self-service via the Internet has become a key area. In 2006 the number of agreements entered into with Swedish banks for the use of banking services via the Internet – in many cases including access to life insurance products – increased by 12%. In December 2006 approximately 7.2 million Swedish bank customers (80% of the population) had access to deposit accounts and payment services on the Internet. In addition, self-service functions involving the trading of shares and other securities by private customers are expanding.

Swedish insurance companies are also active in marketing on the Internet, many of them through the systems of an affiliated bank. They market their own brands and a number of insurance products, and it is possible to take out both life and non-life insurance policies online.

Establishing a Swedish insurance company

In order to establish a new Swedish insurance company, the founders must apply for authorization from the Swedish Financial Supervisory Authority (SFSA). The application is evaluated based on the merits of the management and the owners controlling 10% or more of the share capital or votes, the nature of the planned business and the amount of share capital.

Acquiring a Swedish insurance company

Acquisitions, both Swedish and foreign, of qualified holdings in Swedish insurance companies require a permit from the SFSA. A permit must be obtained when any of the thresholds of 10%, 20%, 33% or 50% of the share capital or the votes are reached. The acquisition and financial structure should be carefully considered as the SFSA requires an insurance group, including the holding company, to meet certain solvency requirements.

Branch offices and general agencies

An insurer domiciled within the European Economic Area (EEA) may establish an agency or branch in Sweden without prior Swedish authorization. However, this is subject to certain notification procedures involving the authorities of the home state. When the Reinsurance Directive (2005/68/EC) is implemented, which is expected to occur in the beginning of 2008, the carrying on of reinsurance business in Sweden by an insurer established within the EEA, will probably be subject to the same regulations as direct insurance business.

Insurers domiciled outside the EEA are subject to more restrictive regulations. They may practice business in Sweden only if they have obtained a license. Their business may be conducted through an agency or a branch, but only if a major deposit is made with a Swedish bank. However, agreements between Switzerland and the European Union enable Swiss non-life insurance undertakings to be authorized to establish either an agency or a branch in Sweden without a deposit.

Cross-border services

Insurance companies domiciled within the EEA may directly market insurance in Sweden, subject to authorization by their home state and notification to the home-state authority. Passive provision of insurance services from the EEA (i.e. the provision of insurance services on the sole initiative of the client) is also regarded as a cross-border activity and is subject to notification.

Motor insurance providers are required to appoint a Swedish claims settlement representative entrusted with the necessary powers to settle claims on behalf of the provider. In addition, motor insurance providers must certify that they have joined and participated in financing the Swedish Association of Motor Insurers.

Insurers domiciled outside the EEA may provide cross-border services in Sweden only through intermediation by an insurer licensed in Sweden and subject to a specific permit from the SFSA. However, non-EEA insurers are entitled to provide passive insurance services.

Insurance mediation

The Insurance Mediation Act implements the EU Insurance Mediation Directive (2002/92/EC) in Sweden. The act establishes a number of professional requirements for SFSA authorization. Only individuals of Swedish nationality or legal entities incorporated in Sweden may register as intermediaries. However, subject to certain notification procedures, insurance and reinsurance intermediaries registered in other EEA states may be able to conduct business in Sweden cross-border or by establishing a branch. Insurance or reinsurance intermediaries outside the EEA may provide insurance mediation from a Swedish branch only if they have obtained a licence from the SFSA.

Marketing practices

Marketing life insurance products to consumers is subject to specific regulations under the Financial Advice Act if the products have any savings elements in addition to pure death benefits.

The Distance Marketing Act implements the EU Directive on Distance Marketing of Consumer Financial Services (2002/65/EC). According to the Act, certain information must be provided by business entities when offering services over, for instance, the Internet. The Act also provides for a cooling-off period of 14 days (or 30 days in the case of life insurance) from the date on which the consumer entered into the agreement.

Finally, a new Insurance Contract Act introduced in 2006 has strengthened the position of consumers in relation to insurers by, for instance, imposing extensive information requirements for all insurance products and introducing a mandatory right for the policyholder to surrender or transfer life insurance policies at any time during the policy period.