

# Life Insurance in Sweden, Key Trends and Opportunities to 2017

Market Intelligence Report

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## 1 Executive Summary

Life insurance was the largest segment in the Swedish insurance industry in 2012, accounting for 73.7% of total industry premiums. The segment's value increased at a review-period (2008–2012) compound annual growth rate (CAGR) of 2.3%. The life segment is expected to record a forecast-period (2012–2017) CAGR of 3.4%. Insurance brokers and e-commerce were the main channels of distribution of life insurance products in Sweden, respectively accounting for 31.8% and 28% of the new business gross written premium in 2012.

### **Increased life expectancy and disposable incomes improved demand for life products**

In 2012, Swedish households held, on average, half of their savings in insurance products, indicating the latter's popularity. More private pension products, in particular, were taken out during the review period due to rises in life expectancy and annual disposable incomes.

### **Potential difficulties in investment guarantee products and equity investments**

Investment guarantee products, which accounted for around 66% of premiums collected in the segment in 2012, will attract high capital charges under Solvency II. Furthermore, given the low interest rate environment in the country, insurers are expected to find it difficult to honor commitments under the products. Equities, which account for a considerable proportion of life insurer's investments, also require high capital provisioning under Solvency II.

### **A concentrated market**

The top ten insurers in the life segment accounted for 89.3% of premium income in 2012, indicating that the segment is a concentrated one. The majority of premiums in the segment were generated in occupational pension and endowment insurance. However, considerable growth in private pension plans is expected over the forecast period.

### **Swedish regulator implemented its own solvency stipulations**

In 2012, the Financial Services Authority (FSA) imposed a lower cap on the discount rate that can be employed by life insurance companies to set aside reserves to meet the liabilities of the insured. The application of this floor rate was extended in 2013. Prudent measures such as these ensure that Swedish life insurers are well prepared to meet the stipulations under Solvency II.

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## 2 Introduction

### 2.1 What is this Report About?

This report is the result of extensive research into the life insurance segment in Sweden, covering its dynamics and competitive landscape. It provides insights into the size and forecast for the overall life insurance segment, and categories such as individual and group insurance, and provides details of products in each category. This report also provides an overview of the leading companies in the life insurance segment, along with details of strategic initiatives undertaken.

### 2.2 Definitions

All data is collected in local currency. Conversions into US dollars (US\$) of current and forecast data are made at the 2012 average annual conversion rate. Most values are displayed to one decimal place. As such, growth rates may appear inconsistent with absolute values due to rounding. For the purposes of this report, the review period is 2008–2012 and the forecast period is 2012–2017.

The key insurance industry terms covered in the report are defined below:

| Table 1: Insurance Industry Definitions |                                                                                                                                                                                                                                                                                     |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term                                    | Definition                                                                                                                                                                                                                                                                          |
| Ceding company                          | A primary insurer that transfers some of its insurance risk by ceding a proportion of its total written premium through a reinsurance contract.                                                                                                                                     |
| Incurred loss                           | The sum of claims paid by an insurance company and the change in the provision for outstanding claims irrespective of whether or not they have been reported.                                                                                                                       |
| Claim ratio                             | Claims payable as a percentage of premium income.                                                                                                                                                                                                                                   |
| Commission and expenses                 | The sum of acquisition cost and administrative cost. The acquisition cost is the percentage of a premium produced that is retained as compensation by insurance agents and brokers.                                                                                                 |
| Comprehensive loss ratio                | The ratio of claims incurred to net premium earned.                                                                                                                                                                                                                                 |
| Earned premium                          | The amount of money considered to have been earned on a policy by an insurer. It is calculated by multiplying the original premium by the percentage of the policy's term which has expired without a claim being made.                                                             |
| Endowment policy                        | A scheme in which the term of the policy is defined for a specified period, such as 15, 25 or 30 years. The insurer pays the claim to the family of the assured in an event of his or her death within the policy's term or in an event of the assured surviving the policy's term. |
| Facultative reinsurance                 | An arrangement for separate reinsurance for each risk that the primary insurer underwrites. The reinsurer can accept or reject any risk presented by the primary insurer seeking reinsurance.                                                                                       |
| Gross claim                             | The amount payable by an insurance company before allowances is made for credits that may be due in the form of reinsurance, subrogation or salvage.                                                                                                                                |
| Gross written premium                   | The total amount of premiums (before deduction of reinsurance costs) customers are required to pay for insurance policies written during the year.                                                                                                                                  |
| Group annuity                           | A life insurance scheme providing annuities at retirement to a group of people under a single contract. It is usually bought by an employer for the benefit of its employees.                                                                                                       |
| Insurance density and penetration       | The percentage of total written premium to the country's GDP.                                                                                                                                                                                                                       |
| Insurance fraud                         | Any act committed with the intent to obtain payment from an insurer through fraudulent means.                                                                                                                                                                                       |
| Lapsed policy                           | A policy that is terminated due to the non-payment of the premium.                                                                                                                                                                                                                  |

**Table 1: Insurance Industry Definitions**

| <b>Term</b>                          | <b>Definition</b>                                                                                                                                                                               |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loss ratio                           | The ratio of total losses paid out in the form of claims plus adjustment expenses divided by the total earned premium.                                                                          |
| Liability insurance                  | A type of insurance that covers legal claims by third parties against the insured.                                                                                                              |
| Loss reserve                         | The estimated amount of claims incurred but not yet settled.                                                                                                                                    |
| Maturity claim                       | The payment made to a policyholder at the end of the stipulated term of a term life insurance policy.                                                                                           |
| Per capita premium                   | The ratio of the total written premium to the country's total population.                                                                                                                       |
| Premium ceded                        | The share of premiums transferred to a reinsurance company by a primary insurer.                                                                                                                |
| Single-premium life insurance policy | A life insurance scheme in which a lump sum is paid into the policy in return for an assured sum of money in the event of the policyholder's death.                                             |
| Term insurance                       | A life insurance scheme that provides protection for a specified period, usually between five and 20 years. The policy expires without value if the insured survives the stated period.         |
| Treaty reinsurance                   | A reinsurance agreement applying to the reinsurance of a class or some classes of business, instead of an individual risk.                                                                      |
| Direct marketing                     | Direct Marketing channels for insurance policies include insurance companies' sales forces, telemarketing, postal mail, e-mail, call centers and mobile phones.                                 |
| E-commerce                           | The distribution of insurance policies online through a company or third-party website.                                                                                                         |
| Agencies                             | Individuals and corporate agencies which are licensed to sell insurance for one or more specific insurance companies.                                                                           |
| Insurance brokers                    | Individuals or businesses which sell insurance policies, and advise and represent the policyholder. They differ from insurance agents, which act on the behalf of an insurance company.         |
| Bancassurance                        | The partnership between a bank and an insurance company in which the insurance company uses the bank's sales channel to sell insurance.                                                         |
| Other distribution channels          | Other distribution channels include post offices, convenience stores, multi-level marketing, any channel other than agencies, direct marketing, bancassurance and the above-mentioned channels. |
| <b>Source: Timetric analysis</b>     |                                                                                                                                                                                                 |

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## 2.3 Methodology

All Timetric insurance reports are created by following a comprehensive, four-stage methodology. This includes market study, research, analysis and quality control.

### 1) Market Study

#### A. Standardization

- Definitions are specified using recognized industry classifications. The same definition is used for every country.
- Annual average currency exchange rates are used for the latest completed year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations.

#### B. Internal audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - Company database

#### C. Trend monitoring

- Review of the latest insurance companies and industry trends

### 2) Research

#### A. Sources

- Collection of the latest market-specific data from a wide variety of industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - International organizations
  - Insurance regulatory agencies

#### B. Expert opinion

- Collation of opinion taken from leading insurance industry experts
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Media
  - Official government sources

#### C. Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and regions

### 3) Analysis

#### A. Market forecasts

- Feeding forecast data into market models:
  - Macroeconomic indicators
  - Industry-specific drivers
- Analysis of insurance industry database to identify trends:
  - Latest insurance trends
  - Key drivers of the insurance industry

**B. Report writing**

- Analysis of market data
- Discussion of company and industry trends and issues
- Review of financial deals and insurance trends

**4) Quality Control**

- **Templates**
  - Detailed process manuals
  - Standardized report templates and accompanying style guides
  - Complex forecasting tools to ensure that forecast methodologies are consistently applied
  - Quality-control checklists
- **Quality-control process**
  - Peer review
  - Senior-level QC
  - Random spot checks on data integrity
  - Benchmark checks across databases
  - Market data cross-checked for consistency with accumulated data from:
    - Company filings
    - Government sources

SAMPLE PAGE

## 3 Appendix

### 3.1 Methodology

Timetric's dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society ([www.mrs.org.uk](http://www.mrs.org.uk)) and the Society of Competitive Intelligence Professionals ([www.scip.org](http://www.scip.org)).

All Timetric databases are continuously updated and revised.

### 3.2 Contact Timetric

If you have any queries about this report, or would like any further information, please contact [info@timetric.com](mailto:info@timetric.com).

### 3.3 About Timetric

Timetric is a leading provider of online data, analysis and advisory services on key financial and industry sectors. It provides integrated information services covering risk assessments, forecasts, industry analysis, market intelligence, news and comment.

Timetric helps over 1,500 financial services institutions and their partner companies around the world benefit from better, timelier decisions.

Timetric provides:

- High-quality data including proprietary, specialized industry data, survey-based research, social media monitoring, macroeconomic data and forecasts
- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney. It employs 500 people, including 150 analysts and economists, and 200 professional researchers.

### 3.4 Timetric's Services

#### Intelligence Centers

Timetric's industry intelligence centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:

- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

#### Briefing Services

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for the financial services industries. Driven by influential and respected editorial teams with years of experience in their respective fields, these services deliver need-to-know insight and analysis to decision makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:

- Accountancy
- Asset Finance
- Banking
- Cards and Payments
- Insurance

#### Consultancy

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to clients.

Dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric's market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology. These provide ready access to an extensive source of specialist business executives and consumers.

Core capabilities include:

#### Economic Research and Consulting

Highly experienced economists provide a number of bespoke research services covering subjects ranging from macroeconomic forecasting to sector outlooks, business presentations and workshops.

### **Industry Analysis and Consulting**

Information analysis, independent expert opinion and advice, facilitated decision or strategic support, are provided by Timetric's extensive body of proprietary data and analysis models. It provides expertise-based consulting to deliver solutions that best suit its clients' requirements.

### **Quantitative Research**

Timetric connects with thousands of potential customers for various markets every day. Using sophisticated, interactive and highly engaging graphical surveys, research speed is increased and costs reduced, while ensuring that respondents deliver the insight needed.

### **Qualitative Research**

Timetric's Qualitative Research service helps customers understand the emotional and cultural behaviors of a target audience. Timetric provides unique access through market-leading publications and information services to decision makers specifically brought together to discuss topics that are important to the client.

### **Technology Solutions**

Timetric has built a unique technological platform to collect and visualize data, and employs some of the world's leading experts on data collection and visualization. Through technology and software consulting services, Timetric can provide clients with the means to gather and visualize the data the client has, or wants to collect.

## **3.5 Disclaimer**

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