

## Insurance & Reinsurance - Sweden

### New law on insurance businesses proposed

Contributed by [MAQS Law Firm](#)

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In November 2009 the Ministry of Finance published a memorandum on a proposed new law for insurance business (DS 2009:55). If approved, the new law will lead primarily to changes relating to certain insurance associations (so-called 'friendly societies'), but will also affect insurance companies and mutual insurance companies.

The legislature considers the protection of policyholders to be of central importance, and for that reason the new law should apply equally to all forms of insurance business, and almost the same rules will apply to insurance associations and insurance companies. However, small insurance companies will be able to apply for an exemption.

According to the proposal, the Companies Act will apply to insurance companies, while the Law on Economic Associations will apply to insurance associations and mutual insurance companies, unless otherwise motivated, given the specialized nature of the insurance company. Further special rules for insurance companies will emerge from the new act.

A business licence will be required in order to register and start up an insurance association. Insurance associations which are already registered must have applied for their business licence before the end of 2013. The insurance associations, which are at present engaged in the occupational retirement business, are already subject to rules on solvency, liability coverage and technical insurance provisions to govern their business. However, according to the proposal these rules will also apply to friendly societies. The rules on guarantee amounts in making solvency calculations will be applicable to all types of insurance.

The memorandum contains no proposal with regard to the transformation of life insurance companies which are operating under mutual principles. The existing arrangements, including two forms of cooperative societies (friendly societies and mutual insurance companies), will remain unchanged. According to the proposal, the new law will enter into force on January 1 2011.

Should the proposal be passed, it will be possible for insurance associations to engage in all kinds of life insurance and non-life insurance business. The proposal will also lead to extended possibilities for insurance associations and mutual insurance companies to attract capital.

According to an analysis made in the proposal, the revised rules will render the occupational retirement provision inapplicable to the activities of the occupational retirement funds. Rather, these funds will be governed by the consolidated life insurance provision.

The deadline for comments on the proposal passed in early February 2010, and a revised proposal is expected to be submitted to the government soon.

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