

FINLAND

Key characteristics of the insurance market



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1 Introduction

1.1 General

At the end of 2017 (2017 Q4), 45 insurance companies¹ in Finland submitted their Solvency II related reporting package to the Finnish National Supervisory Authority (NSA). These companies accounted for 0,664% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Finland 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	8
Non-Life undertakings	35
Reinsurance undertakings	0
Composite undertakings	2
Total	45
Total assets FI / Total assets EU %	0,664%
Ranking FI based on Total assets EU	13

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1.2 Balance sheet

At the end of 2017 (2017 Q4), Finland was the number 13 country in the EU insurance market in terms of assets held with an amount of 75 006 million EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, Finland ranked number 10 in terms of absolute amount with 37 809 million EUR invested in this category. However, with 50,4% of total assets of this category, Finland was significantly above the EU average, i.e. 24,2% in terms of total assets.

In terms of technical provisions, 27,7% of the total balance sheet relates to the life business (i.e. non-index-linked and unit-linked business), while 4,1% represented non-life obligations.

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

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	35 627	14	47,5%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	37 809	10	50,4%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	1 570	16	2,1%	8,1%	8,4%	2,1%	19,5%	4,9%
Total assets	75 006	13	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%
Technical provisions – life	20 785	14	27,7%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	3 072	16	4,1%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	35 815	10	47,7%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	3 472	14	4,6%	8,9%	9,0%	4,0%	21,3%	3,9%
Total liabilities	63 145	13	84,2%	86,9%	77,6%	49,1%	92,7%	11,1%
Excess of assets over liabilities	11 861	14	15,8%	13,1%	22,4%	7,3%	50,9%	11,1%
Total liabilities + Excess of assets over liabilities	75 006	13	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

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.



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 Finnish 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 206% with long-term guarantee (LTG) and transitional measures and is lower than that of the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Finland is ranked 17th 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	FI		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	12 434	14	-	-	-	-	-
SCR	6 001	13	-	-	-	-	-
Surplus available own funds	6 433	14	-	-	-	-	-
Ratio of Eligible own funds to SCR	206%	17	237%	225%	135%	361%	52%
Ratio of Eligible own funds to SCR (10th percentile)	156%	5	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	197%	4	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	212%	12	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	231%	24	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	292%	25	457%	396%	173%	643%	99%
Ratio of Eligible own funds to MCR	703%	9	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. At year-end 2017, Finnish participants reported an SCR ratio of 206% including the application of LTGs and transitionals. Removing the measures caused a decrease of the SCR ratio to 198%.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 Finnish 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.

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

in number	Exposure list FI		Solvency II balance sheet FI		Difference
	#	%	#	%	#
Life undertakings	8	17,8%	8	17,8%	0
Non-Life undertakings	35	77,8%	35	77,8%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	2	4,4%	2	4,4%	0
Total	45	100,0%	45	100,0%	0

in Mio EUR	Exposure list FI		Solvency II balance sheet FI		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	3 417	9,6%	3 417	9,6%	0,0%
Holdings in related undertakings, including participations	n/a	n/a	973	2,7%	n/a
Equities	n/a	n/a	2 444	6,9%	n/a
Equities - listed	n/a	n/a	2 156	6,1%	n/a
Equities - unlisted	n/a	n/a	289	0,8%	n/a
Collective Investments Undertakings	10 907	30,6%	10 907	30,6%	0,0%
Bonds	15 055	42,3%	15 056	42,3%	0,0%
Loans and mortgages	1 303	3,7%	1 303	3,7%	0,0%
Property	2 259	6,3%	2 259	6,3%	0,0%
Deposits	51	0,1%	75	0,2%	-0,1%
Cash and cash equivalents	2 633	7,4%	2 608	7,3%	0,1%
Other investments	1	0,0%	1	0,0%	0,0%
Total	35 627	100,0%	35 627	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	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	2 156	11	88,2%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	289	11	11,8%	16,3%	25,0%	0,4%	87,0%	21,1%
Total equities	2 444	11	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, Finnish insurers invested 88,2% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 2 156 million EUR, Finland ranked number 11 in the EU.

With an invested amount of 289 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 11,8%. This placed Finland as the number 11 in the EU.

2.2 Asset exposure

From an asset exposure perspective, the insurance market in Finland was mainly invested in Government bonds and Corporate bonds (in total 42,2% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (30,6%), and Equity (9,6%).

Within the bond categories, the insurance market was significantly less exposed to government securities (10%) than to corporate debt (32,2%), categories for which Finland ranked number 18 and number 13 in the EU, respectively. 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 second most important for the Finnish insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Debt funds, Equity funds, and Private equity funds for which Finland ranked respectively number 11, number 10, and number 6 in the EU.

Equity was the fourth category to which the Finnish insurers had the most exposure. Equity of real estate related corporation constitutes 0,2% within the 9,6% of the total equity exposure.

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

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	3 417	13	9,6%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	3 334	13	9,4%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	60	17	0,2%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	24	18	0,1%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings	10 907	11	30,6%	19,2%	12,8%	1,5%	41,6%	9,3%
Equity funds	2 788	10	7,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	2 460	6	6,9%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	3 543	11	9,9%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	308	12	0,9%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	3	25	0,0%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	1 183	8	3,3%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	219	10	0,6%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	61	10	0,2%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	342	11	1,0%	2,0%	0,9%	0,0%	7,2%	1,7%
Government bonds	3 569	18	10,0%	28,7%	39,7%	10,0%	77,0%	18,9%
Corporate bonds	11 457	13	32,2%	26,9%	21,6%	1,8%	47,3%	11,2%
Structured notes	16	17	0,0%	1,3%	0,5%	0,0%	2,5%	0,6%
Collateralised securities	12	15	0,0%	0,6%	0,6%	0,0%	9,3%	1,8%
Mortgages and loans	1 303	13	3,7%	4,8%	3,8%	0,3%	26,3%	5,2%
Property	2 259	11	6,3%	2,0%	3,5%	0,8%	11,6%	2,6%
Deposits	51	24	0,1%	2,8%	3,6%	0,2%	16,6%	3,6%
Cash and cash equivalents	2 633	12	7,4%	1,4%	4,3%	0,5%	16,6%	3,5%
Other investments	1	15	0,0%	0,1%	0,1%	0,0%	0,9%	0,3%
Not reported	1	13	0,0%	0,0%	0,0%	0,0%	0,3%	0,1%
Total Investments, deposits, cash and cash equivalents	35 627	14	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

For Finland, the undertaking type is not published. In accordance with Article 70(2) of the EIOPA Regulation, EIOPA may only divulge information and data - in summary or in aggregated form – so that individual financial institutions cannot be identified.

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 as to 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 7 - Equity exposure based upon Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	3 417	13	9,6%	12,0%	9,5%	1,1%	28,1%	6,5%
Common equity	3 334	13	9,4%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	60	17	0,2%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	24	18	0,1%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings - Equity funds	5 248	11	14,7%	3,8%	3,2%	0,4%	14,7%	3,5%
Equity funds	2 788	10	7,8%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	2 460	6	6,9%	0,5%	0,5%	0,0%	6,9%	1,3%
Structured notes - Equity risk	2	17	0,0%	0,2%	0,1%	0,0%	0,6%	0,1%
Total Equity exposure	8 667	11	24,3%	16,0%	12,7%	2,5%	37,4%	8,4%
Equity without Equity of real estate related corporation	3 357	13	9,4%	11,0%	8,4%	1,1%	24,1%	6,1%
Equity exposure without Equity of real estate related corporation	8 607	11	24,2%	15,0%	11,7%	2,4%	33,3%	7,9%
Equities market value balance sheet (rescaled to CIC scope)	2 444	11	6,9%	3,6%	3,2%	0,1%	20,6%	4,0%
Equities - listed (rescaled to CIC scope)	2 156	11	6,1%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	289	11	0,8%	0,6%	0,6%	0,0%	5,2%	1,0%
Equity exposure based upon (Un)Listed equities (rescaled)	7 694	10	21,6%	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 Finland, we note that equity exposures coming from Collective Investment Undertakings amount to 14,7% and are higher than the listed and unlisted equity exposures which in total amount to 6,9%. Hereby the listed and unlisted equities in Finland are similar to the asset allocation at EU level.

2.3.1 Direct and indirect equity exposure

Table 8 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.2)

	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	3 417	13	39,4%	75,2%	73,4%	39,2%	94,5%	15,9%
Common equity	3 334	13	38,5%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	60	17	0,7%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	24	18	0,3%	3,9%	5,7%	0,0%	35,3%	8,8%
Indirect equity	5 250	8	60,6%	24,8%	26,6%	5,5%	60,8%	15,9%
Collective Investment Undertakings - Equity funds	5 248	8	60,6%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	2 788	10	32,2%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	2 460	6	28,4%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	2	17	0,0%	1,3%	0,7%	0,0%	4,0%	1,0%
Total Equity exposure	8 667	11	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 Finland was invested significantly less in Direct equity (39,4% of Total equity) than in Indirect equity (60,6% of Total equity).

In terms of direct equity exposure, Finland ranked number 13 and number 17 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 most important part of the investments with 32,2% of Total equity, slightly more than the amount invested in Private equity funds.

2.3.2 Equity by location

Table 9 - Equity exposure by location based upon Solvency II exposure list (S.06.02)

in Mio EUR	FI			
	EU home	EU other	outside EU (1)	Total
Equity	2 100	778	539	3 417
Common equity	2 076	753	504	3 334
Equity of real estate related corporation	24	8	28	60
Other	1	16	7	24
Collective Investment Undertakings - Equity funds	2 227	1 918	1 103	5 248
Equity funds	1 081	1 361	346	2 788
Private equity funds	1 146	557	757	2 460
Structured notes - Equity risk	0	2	0	2
Total Equity exposure	4 327	2 698	1 642	8 667

in %	FI			
	EU home	EU other	outside EU (1)	Total
Equity	61,5%	22,8%	15,8%	100,0%
Common equity	62,3%	22,6%	15,1%	100,0%
Equity of real estate related corporation	39,4%	13,8%	46,7%	100,0%
Other	2,4%	69,4%	28,3%	100,0%
Collective Investment Undertakings - Equity funds	42,4%	36,6%	21,0%	100,0%
Equity funds	38,8%	48,8%	12,4%	100,0%
Private equity funds	46,6%	22,7%	30,8%	100,0%
Structured notes - Equity risk	0,0%	100,0%	0,0%	100,0%
Total Equity exposure	49,9%	31,1%	18,9%	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 Finland favoured domestic investments to a large extent, dedicating to these 61,5% of their direct equity investments, and 42,4% of their indirect investments.

Table 9 also showed that besides the home market, Finland insurers invested more in equity of other EU Member States than that of non-EU Member States. The United States, Germany and Sweden were the preferred destinations.

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

in Mio EUR	FI	
	Amount	%
Home country	2 100	61,5%
FI	2 100	61,5%
Top 5 countries (outside home country)	1 028	30,1%
US	369	10,8%
DE	237	6,9%
SE	183	5,4%
UK	128	3,7%
CH	110	3,2%
Home + Top 5 countries (outside home country)	3 128	91,5%
Total Direct equity exposure (with real estate corporation)	3 417	100,0%

in Mio EUR	FI	
	Amount	%
Home country	2 077	61,9%
FI	2 077	61,9%
Top 5 countries (outside home country)	1 016	30,3%
US	365	10,9%
DE	237	7,1%
SE	178	5,3%
UK	127	3,8%
CH	110	3,3%
Home + Top 5 countries (outside home country)	3 093	92,1%
Total Direct equity exposure (without real estate corporation)	3 357	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 11 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list FI		Solvency II balance sheet FI		Difference
	#	%	#	%	#
Life undertakings	8	17,8%	8	17,8%	0
Non-Life undertakings	35	77,8%	35	77,8%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	2	4,4%	2	4,4%	0
Total	45	100,0%	45	100,0%	0

in Mio EUR	Exposure list FI		Solvency II balance sheet FI		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	37 631	100,0%	37 809	100,0%	-0,5%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3.2 Asset exposure

Table 12 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

Table 12 - Asset exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	1 281	8	3,4%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	1 253	8	3,3%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	12	12	0,0%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	15	9	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings	33 263	10	88,4%	63,2%	73,1%	30,1%	97,5%	16,3%
Equity funds	11 887	10	31,6%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	323	3	0,9%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	7 851	9	20,9%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	606	8	1,6%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	10 135	9	26,9%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	198	9	0,5%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	325	10	0,9%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	7	3	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	1 931	11	5,1%	4,6%	6,9%	0,0%	44,3%	10,0%
Government bonds	82	16	0,2%	6,4%	6,9%	0,0%	31,4%	8,4%
Corporate bonds	1 375	9	3,7%	3,9%	6,0%	0,0%	22,7%	6,9%
Structured notes	273	12	0,7%	1,6%	4,1%	0,0%	18,9%	4,9%
Collateralised securities	0	-	0,0%	0,1%	0,1%	0,0%	0,9%	0,2%
Mortgages and loans	53	7	0,1%	0,2%	0,2%	-3,7%	2,5%	1,0%
Property	573	5	1,5%	1,3%	0,6%	0,0%	7,6%	1,5%
Deposits	-15	-	0,0%	1,2%	2,0%	-0,3%	14,5%	3,3%
Cash and cash equivalents	746	10	2,0%	1,2%	2,2%	0,0%	8,5%	2,5%
Other investments	0	-	0,0%	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	37 631	10	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 (88,4%) represent the most important asset classes of the unit-linked and index-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the asset exposure for non-unit-linked and non index-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 Collective Investment Undertakings, 73,1% in Finland compared to 88,4% 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 13 - Equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	1 281	8	3,4%	19,3%	4,5%	0,0%	30,1%	7,1%
Common equity	1 253	8	3,3%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	12	12	0,0%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	15	9	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings - Equity funds	12 210	10	32,4%	26,5%	29,3%	11,2%	57,5%	10,4%
Equity funds	11 887	10	31,6%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	323	3	0,9%	0,1%	0,2%	0,0%	2,9%	0,6%
Structured notes - Equity risk	133	11	0,4%	1,2%	2,7%	0,0%	15,0%	3,5%
Total Equity exposure	13 624	10	36,2%	47,1%	36,5%	11,7%	58,6%	10,9%
Equity without Equity of real estate related corporation	1 268	13	3,4%	16,0%	4,2%	0,0%	29,2%	6,8%
Equity exposure without Equity of real estate related corporation	13 611	10	36,2%	40,0%	36,2%	11,7%	58,6%	10,8%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Finland, we note that total equity exposures related to index-linked and unit-linked contracts (36,2%) are significantly higher in comparison to non index-linked and unit-linked contracts (24,3%). Equity funds are the main contributors to the total equity exposures.

3.3.1 Direct and indirect equity exposure

Table 14 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	FI			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	1 281	8	9,4%	38,3%	11,1%	0,0%	54,2%	15,2%
Common equity	1 253	8	9,2%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	12	12	0,1%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	15	9	0,1%	1,3%	0,8%	0,0%	9,7%	2,2%
Indirect equity	12 343	10	90,6%	61,7%	88,9%	45,8%	100,0%	15,2%
Collective Investment Undertakings - Equity funds	12 210	10	89,6%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	11 887	10	87,3%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	323	3	2,4%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	133	11	1,0%	2,6%	7,4%	0,0%	35,8%	9,6%
Total Equity exposure	13 624	10	100,0%	100,0%	100,0%	100,0%	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Finnish insurers invested almost all of their Assets held for index-linked and unit-linked contracts in Indirect equity (90,6% of Total equity). Direct equity constituting 9,4% of Total equity.

In terms of direct equity exposure, Finland ranked number 8 and number 12 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 87,3% of Total equity whereas allocation to Private equity funds were negligible.

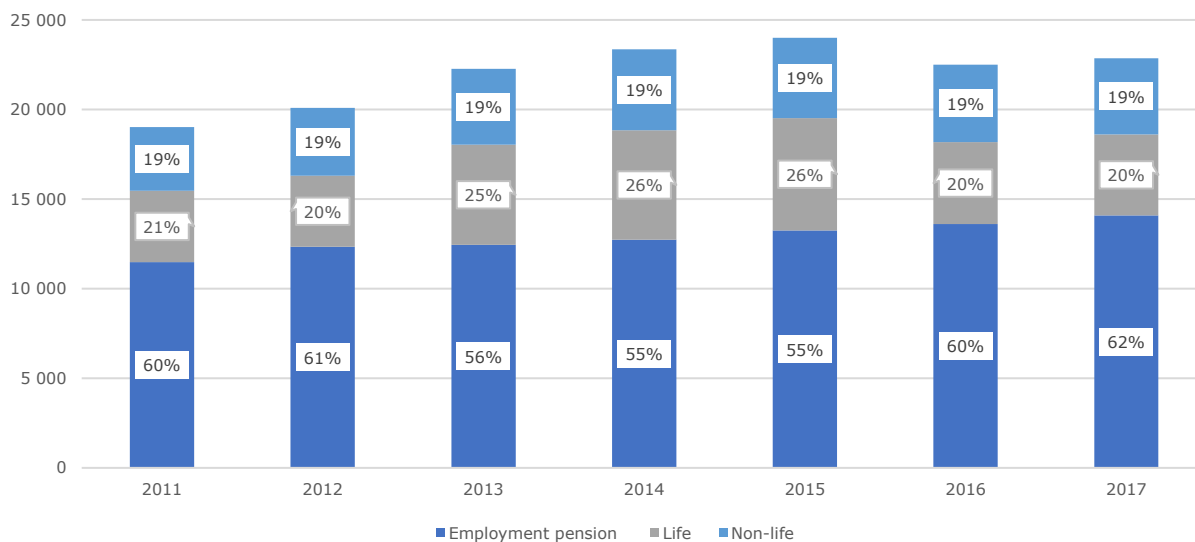
4 Insurance products

4.1 Overview

This section covers the most important insurance products offered in Finland and the volume of the market. Data reported in this section obtained from the Finnish Financial Supervisory Authority (FIN-FSA).³

The combined premium income of non-life, life and employment pension insurance companies rebounded in 2017 by 1,6% (to 22 855 million EUR), following a 6,3% decline in 2016. One of the special feature of the Finnish insurance sector is that statutory pension generates a major share of premiums written. Last year, employee pension accounted for 61,6% of total premiums, while life and non-life policies represented 19,8% and 18,5% of the premium income, respectively.

Graph 1 - Gross written premiums (in Mio EUR)



Source : FIN-FSA

³ Available at http://www.fin-fsa.fi/en/Statistics/Insurance_market/Pages/Default.aspx.

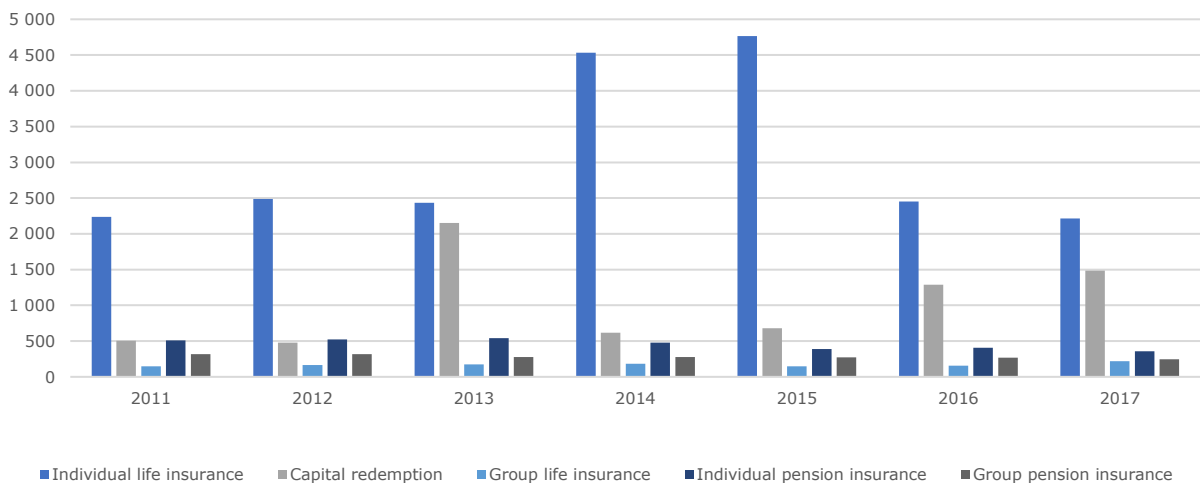
4.2 Employment pension insurance

Part of social security in Finland is provided through statutory insurance. The most important form of insurance-based social security is the employment pension insurance. Employers should take out pension insurance for their employees, while self-employed persons for themselves. Employment pension insurance is the largest segment of the life insurance sector, representing more than 60% of the sector's income. The premium income of statutory pension insurance is largely dependent on the total payroll. Total payrolls grew in 2017 by 2,6%. Pension insurers' premium income rose 3,6% to 14 090 million EUR.

4.3 Life insurance products

In 2017 life insurers' premium income fell by 1%, totalling 4 527 million EUR, with approximately 50% of that due to individual life insurance business. However, the development of premium income was not consistent across policies. For example, premium income from group insurance and capital redemption policies grew by 37,8% and 15,5% respectively, while premium income from individual life insurance fell by 9,6%. Similar was the trend for both individual and group pension insurance (down by 12,1% and 7,4%). Over the last years, premiums written have focused more and more on unit-linked products. However, while in 2013 unit-linked products represented 85% of the total income, last year their income plunged by 19,7% to 3 083 million EUR, and comprised 68%.

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



Source: FIN-FSA



4.4 Non-Life insurance products

Non-life insurers' total premiums written represents approximately 19% of total premiums. In 2017 the premium income decreased by 1,8% to 4 239 million EUR.

4.4.1 Motor

Motor insurance, combined of motor vehicles and motor liability, accounted for 36,7%. In particular, premiums written in statutory motor liability insurance fell by 10,5% to 741 million EUR, while motor vehicle insurance grew marginally and totalled 845 million EUR.

4.4.2 Fire and other damage to property

For 2017, insurance against fire and other damage to property represented 23,7% of the total non-life premium income. Despite the fact that its premiums written fell slightly by 2% to 1 027 million EUR, it continued to represent one fifth of the market (23,8%).

4.4.3 Other accident and health

Premiums written in other voluntary accident and health insurance increased by 7,8% to 602 million EUR.

4.4.4 Workers' compensation

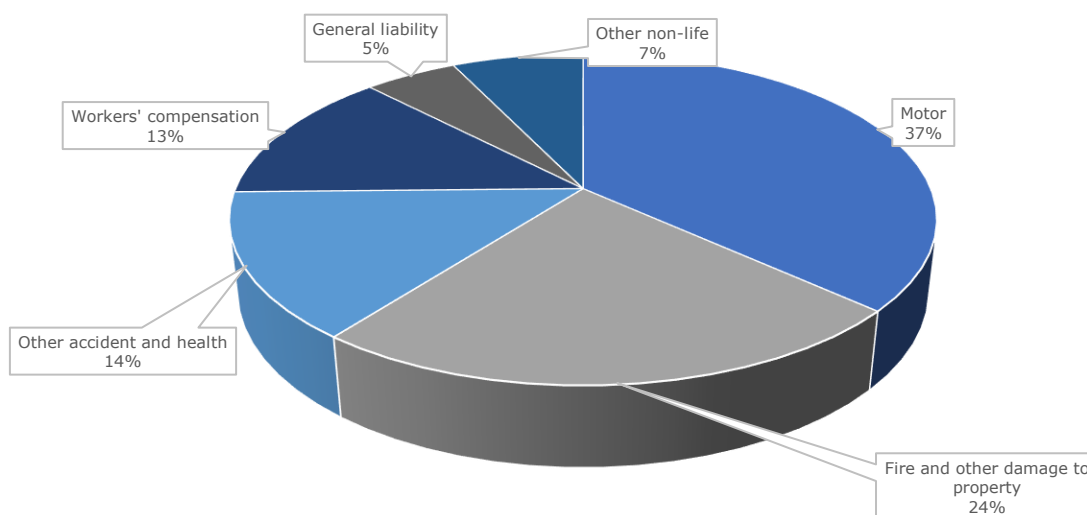
Workers' compensation premium written totalled 554 million EUR in 2017. This is 2,3% less than in 2016.

4.4.5 General liability

Contributing 5% at the 2017 premium income, general liability gross written premiums declined by 3,2% in 2016, closing the year at 1 818 million EUR.

4.4.6 Other non-life insurance

Other classes of non-life business – such as legal expenses, financial losses, credit and suretyship, and marine, aviation and transport – accounted for 304 million EUR in gross written premium in 2017 (up 13,3% on 2016).

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

Note: Motor includes motor vehicle and motor liability. Workers' compensation includes statutory workers' compensation and non-statutory accident. Other non-life insurance includes legal expenses, financial loss, credit and suretyship, as well as marine, aviation and transport.

Source: FIN-FSA

4.5 Average duration

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

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 5,76;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 12,40.

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, EIOPA Insurance Stress Test Report.



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 IFRS.⁵

1. Applicable GAAP at consolidated level: IFRS required for all companies⁶;
2. Applicable GAAP at statutory level: IFRS required for all 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

Capital gains derived from the disposal of shares may be exempt from corporate income tax under the same conditions as dividends (see below). If these conditions are not complied with, taxation will be as follows: Capital gains are fully taxable at the standard corporate income tax rate: 20%.

5.2.2 Capital losses on shares

Capital losses incurred on shares are not deductible if corresponding gains would be exempt from tax.

Under all other circumstances, such losses are deductible subject to certain limitations.

5.2.3 Taxation of dividends

A 100% exemption applies on dividends received by resident corporate shareholders if the following conditions are met:

1. An active income requirement: the shares sold were treated as business income-generating assets rather than passive income;
2. A holding requirement: minimum participation of 10%;
3. A holding period requirement: participation should be held uninterrupted for at least one year and the sale cannot take place more than a year after the entity falls below this threshold;
4. A type of shares requirement: the disposed shares are not shares in a real estate company or limited liability company whose business activities consist principally of governing or owning real estate;
5. A nationality requirement: dividends are received from a type of company listed in the EU parent subsidiary directive or a non-resident company comparable to a Finnish company, resident outside the EU and with whom a relevant tax treaty has been concluded.
6. An activity requirement: if the recipient company is a financial institution (insurance company) holding the shares as investment assets, 75% of the dividends are treated as taxable income and the remaining 25% of the dividends are exempt.

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/finland-ifrs-profile.pdf>



If one or more of the above conditions is not met, the dividend is taxed at the ordinary tax rate.

Finnish source dividends are subject to 20% withholding tax (WHT), unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. If dividends are paid to an EEA resident shareholder, domestic non-discrimination provisions may lower the WHT rate to a level corresponding to similar domestic distributions.

Foreign tax paid may be credited against Finnish tax assessed on the same profits, but the credit is limited to the amount of Finnish tax payable on the income. The credit may be carried forward for five years.

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 Finland 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



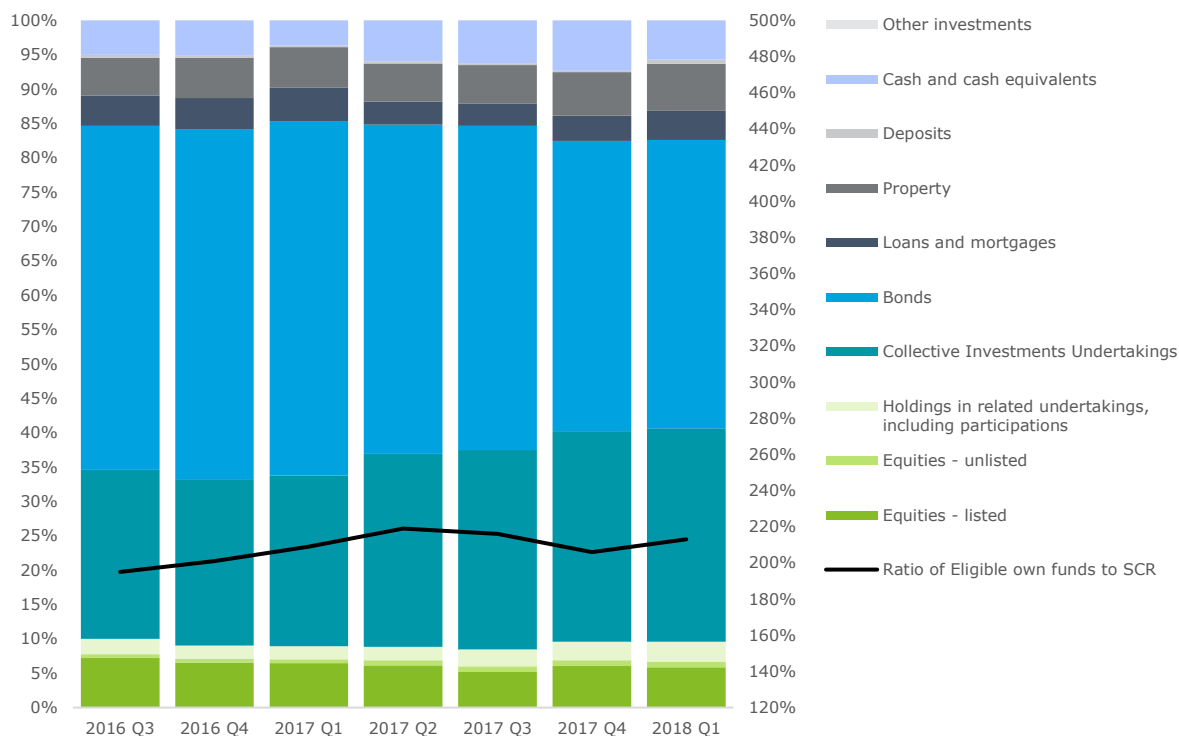
Source: EIOPA Solvency I and Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets in Finland has been heavily increasing since 2005, with a slight decline between 2007 and 2008. The graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011.

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 Finnish 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 combined percentage points of the two most dominant assets classes, Bonds and Collective Investment Undertakings, have not changed much over the period in scope. Bonds slightly decreased in combination with an increase of Collective Investments Undertakings over the period 2016 Q3 until 2017 Q4.

Bonds have constituted the major part of the Finnish insurers' balance sheet since the introduction of Solvency II.

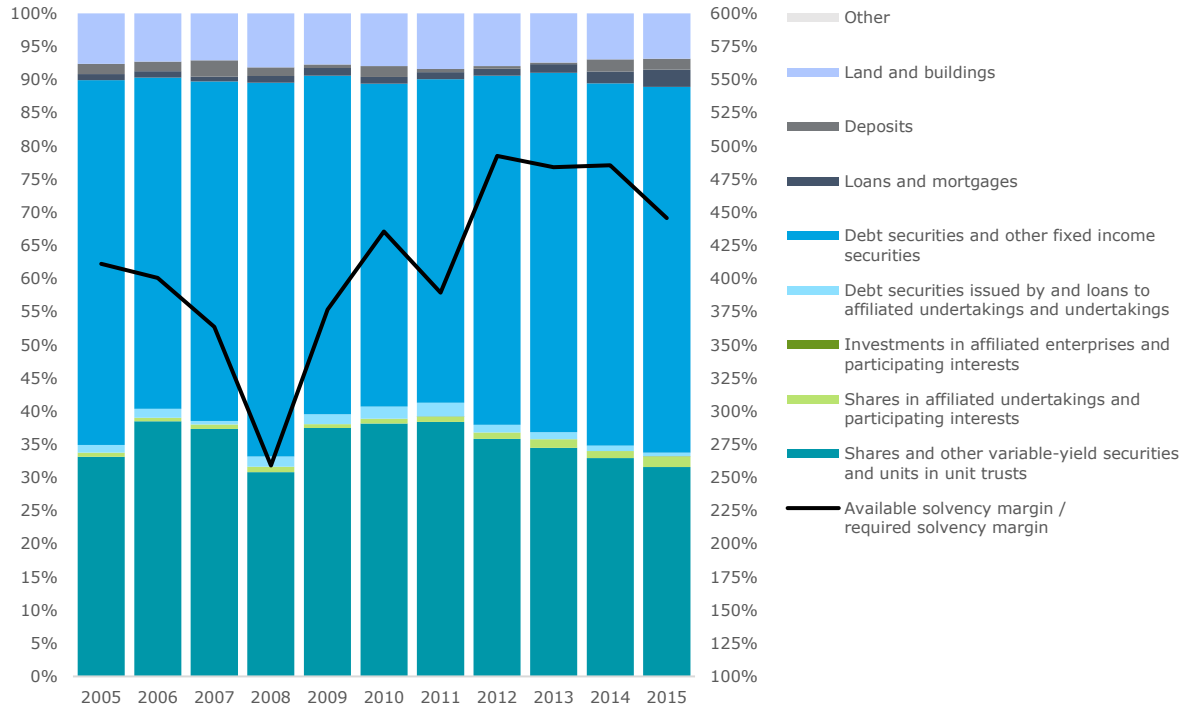
For Finland, the SCR ratio shows a slight increasing behaviour over the period 2016 Q3 until 2018 Q1. Overall, this has not resulted into significant changes in the asset allocation of the overall Finnish insurance market.

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)

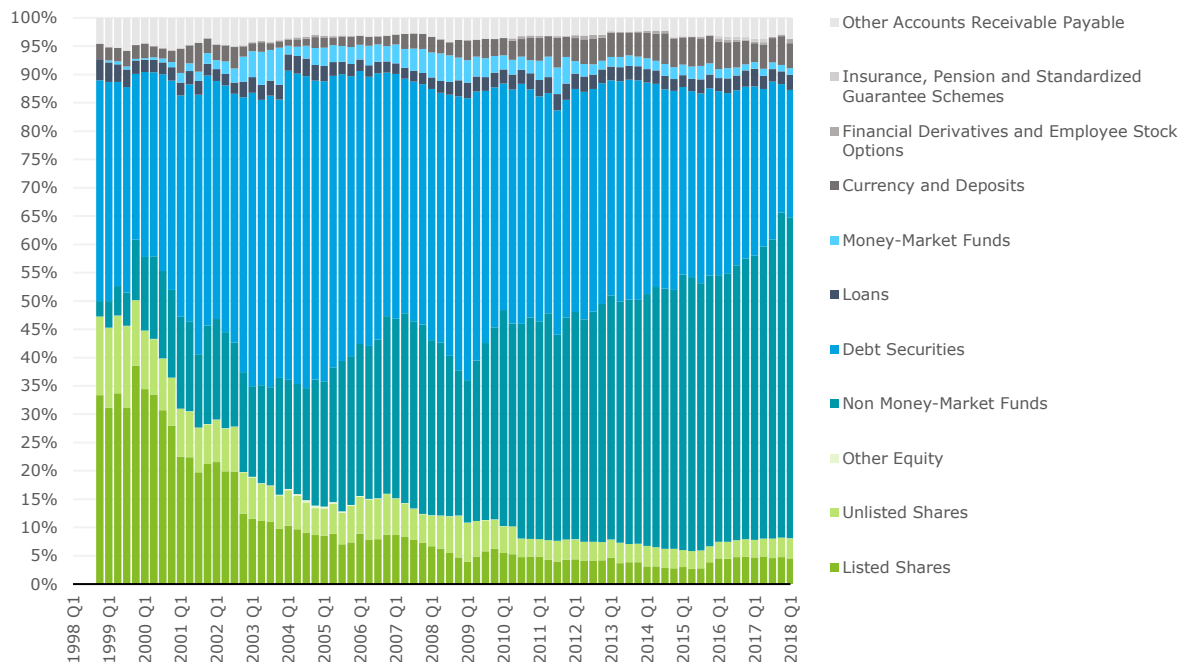


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

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 Finnish insurers' balance sheet for more than a decade. However, the percentage of Shares and other variable-yield securities and units in unit trusts also represent a significant share over the entire Solvency I scope. Furthermore, the solvency ratio showed a very significant increase in 2008 and 2011.

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

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



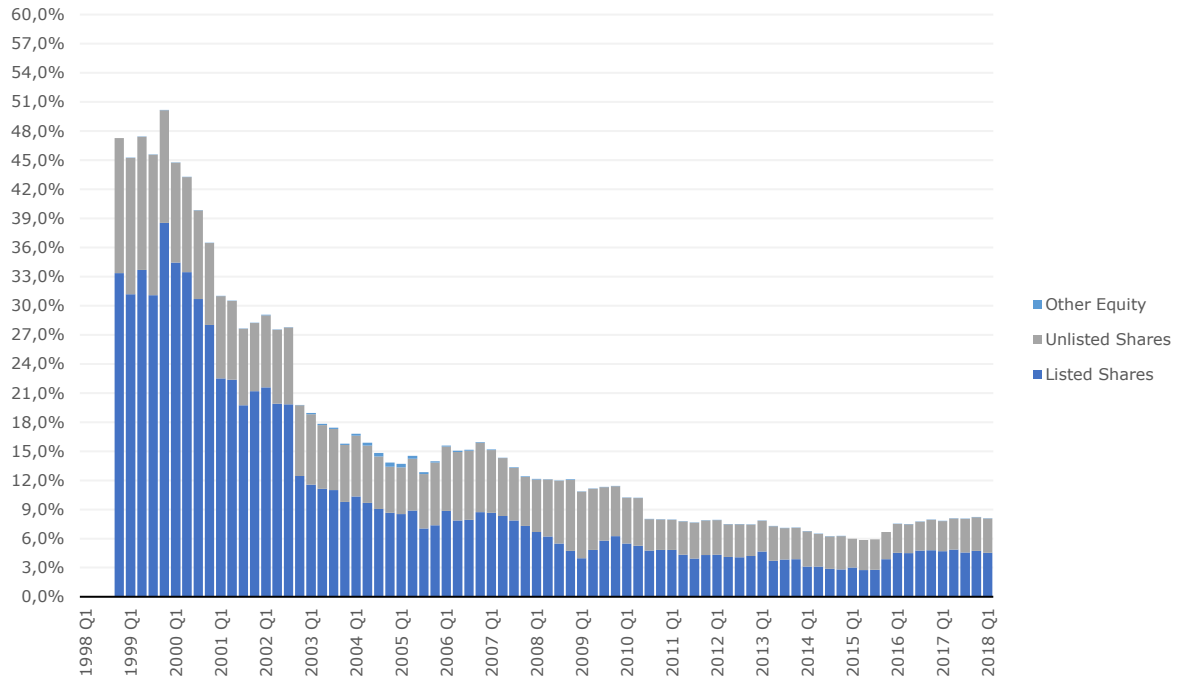
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Finnish insurers since 1998 Q4 as reported by the ECB. It can be observed that no real balance sheet items dominated the Finnish balance sheets during the observation period, but significant changes are noticeable to the composition of the balance sheet. In 1998 Q4 Listed Shares, Unlisted Shares and Non Money-Market Funds accounted for about 50,0% of the balance sheet, with Listed Shares representing about 30%. Debt securities accounts for another 40% of the balance sheet in that quarter. In 2017 Q4 this has significantly changed, as Listed Shares is now at 4,5% and Non Money-Market Funds at 56,7%. Debt Securities increase from 2000 Q1 to 2004 Q3, but then steadily decrease in the rest of the scope from 39,0% to 22,5%.

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 Finland is plotted against the aggregated EU data.

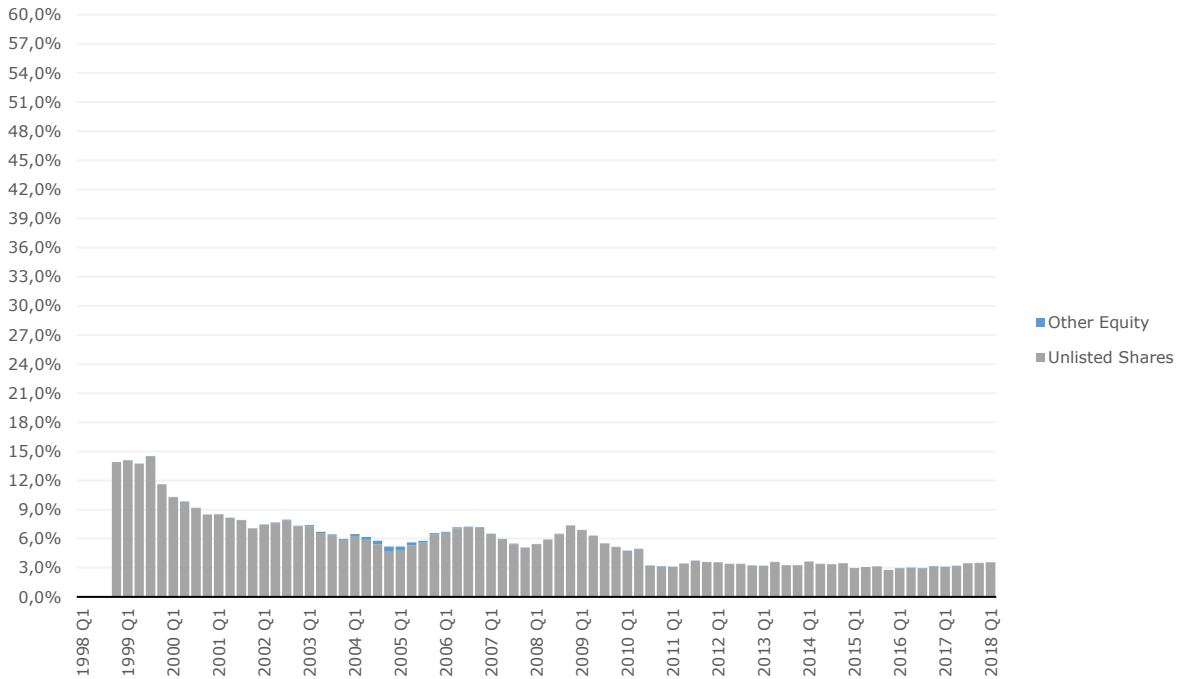
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB.

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



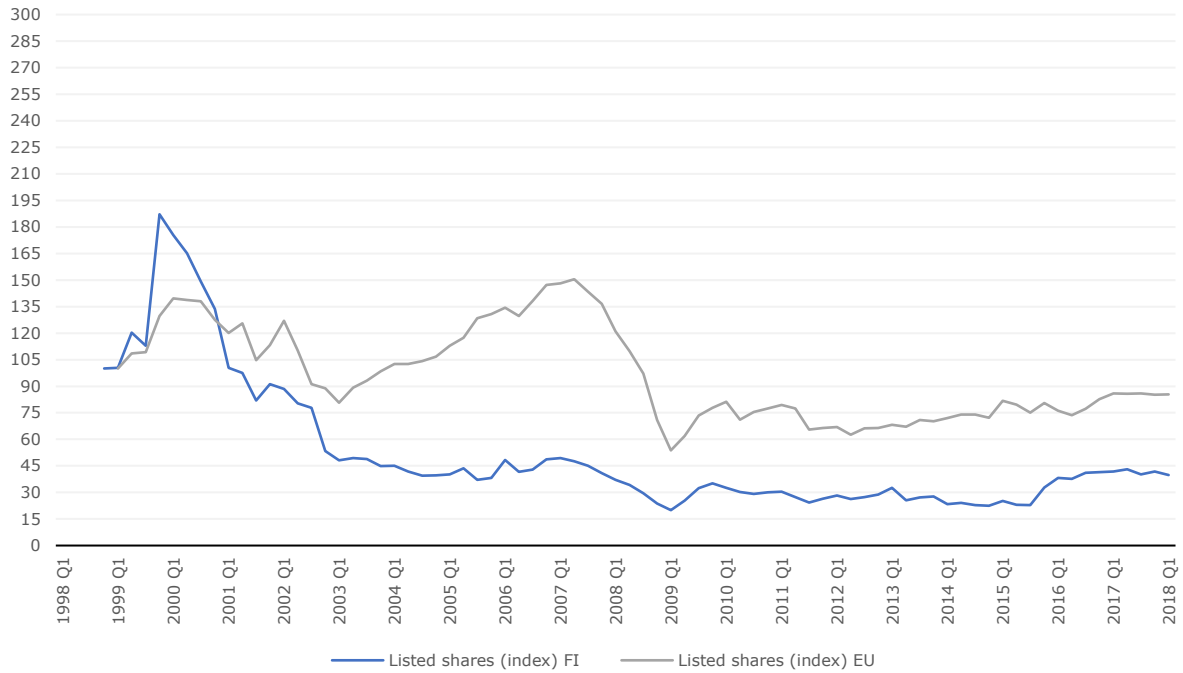
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

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



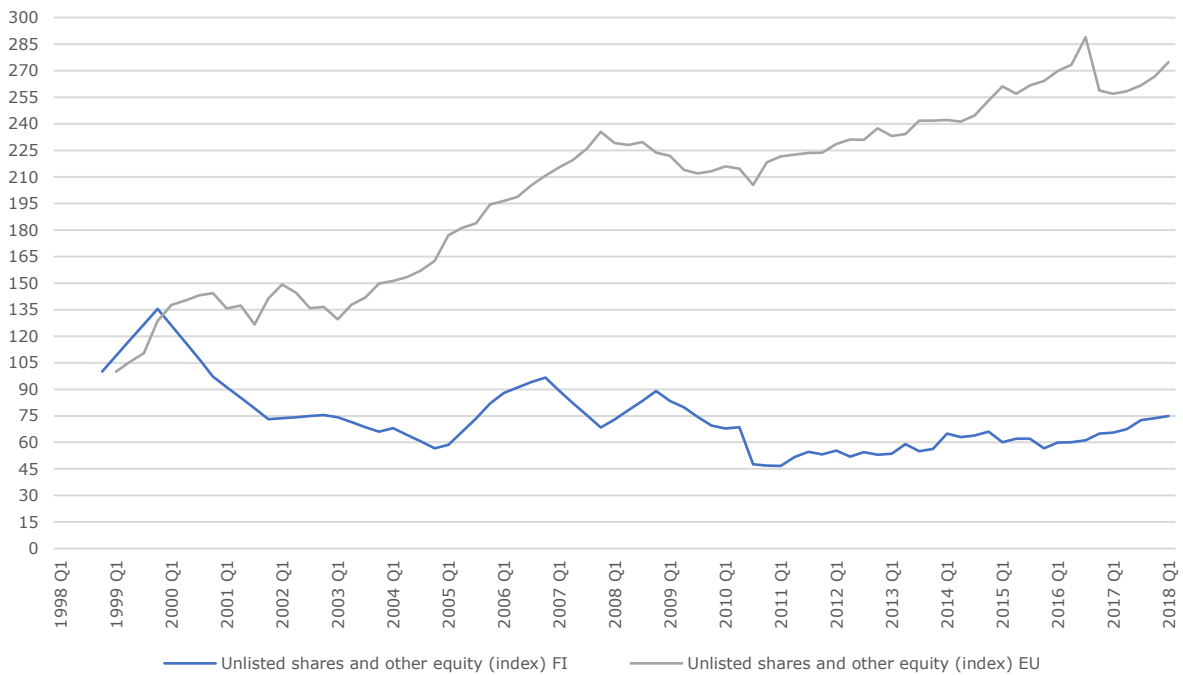
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

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



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 11 - Evolution ECB unlisted shares FI 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 Finland 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.

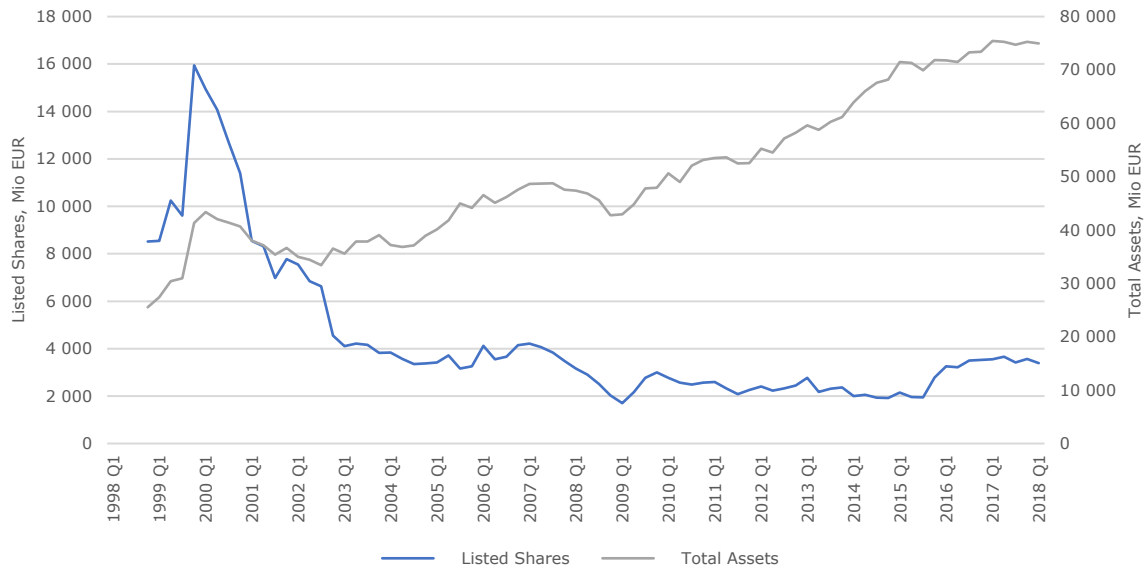
6.5.1 Listed Shares

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.

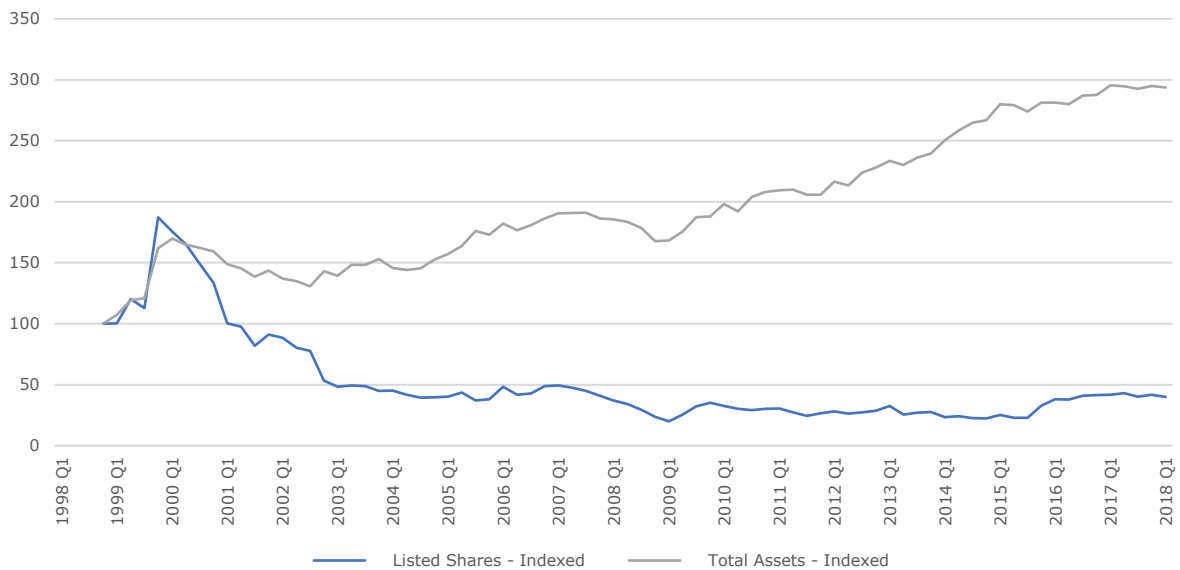
In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed 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. Amounts invested in listed shares attains its highest value of 15 943 in the last quarter of 1999. Starting from 2000, listed shares experience a downward trend, hitting a minimum of 1 703 million EUR in 2009 Q1, a difference of 89,32% compared to the amount accumulated at the end of 1999. Over the period 2009 – 2018, listed shares show a stable trend, amounting to a value of 3 394 million EUR in the first quarter of 2018.

Differences in the growth patterns of the listed shares and total assets can be observed on the indexed amounts. Listed shares display a similar growth pattern with total assets until 2000 Q4. Starting in 2001, amounts invested in listed shares show a decreasing trend until the end of 2002. Over the next period (i.e. 2003-2018) listed shares exhibit a stable trend. Concluding, that over the period 1998 Q4 – 2018, indexed values of total assets increase by 194%, while indexed values of listed shares decrease by 60% compared to their initial starting values.

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

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

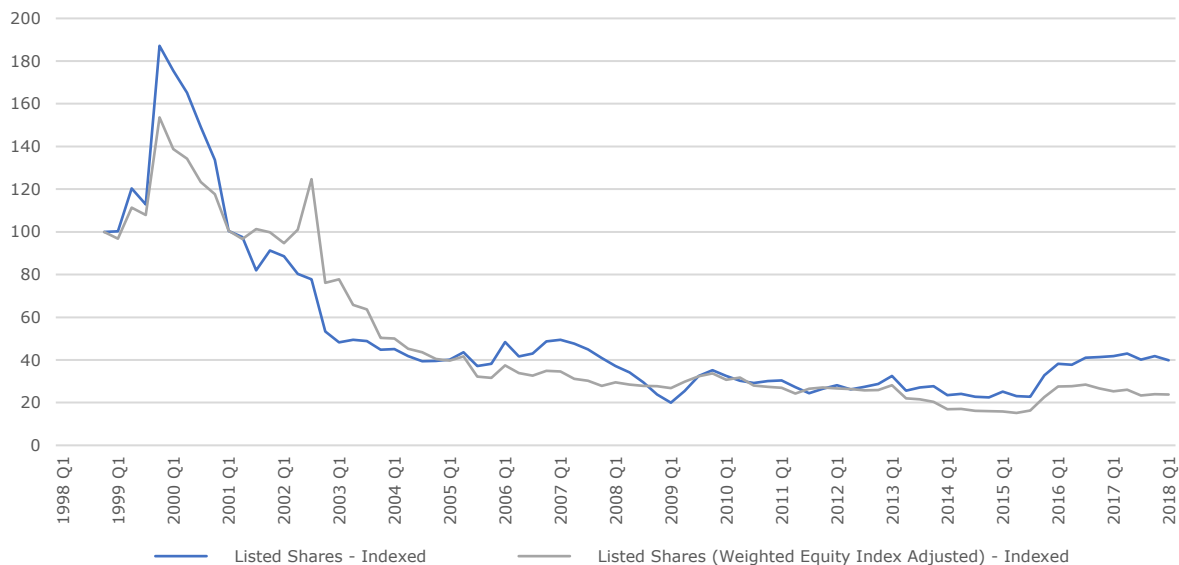
Graph 13 – Evolution of Listed Shares and Total Assets (indexed values)

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. Overall, indexed values of listed shares and adjusted listed shares follow a similar pattern meaning that the market price effect is in general not apparent for the investments of Finnish insurers in listed shares. However, we observe some deviation between two series; there are periods where indexed values of listed shares are larger than the adjusted values. Starting from 2012 Q4, listed shares and

the adjusted series exhibit the same trend but with indexed listed shares being larger. This in turn points to a market price effect being present during this period.

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



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

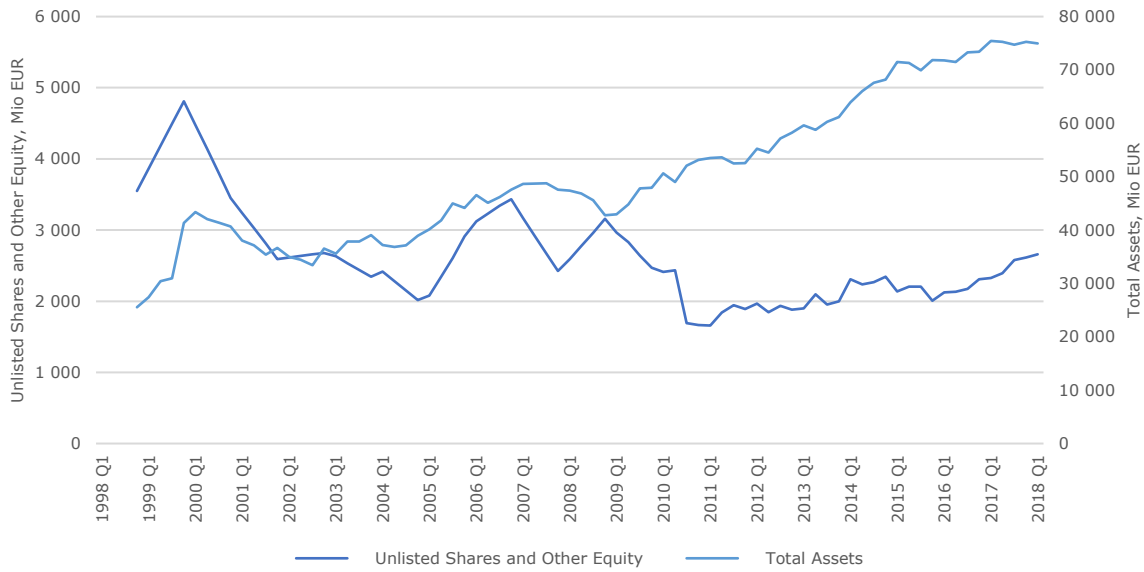
6.5.2 Unlisted Shares

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.

Investments in unlisted shares and other equity show an overall volatile behaviour. In 1994 Q4, unlisted shares and other equity amount to 4 809 million EUR, before dropping to 2 014 million EUR in 2004 Q4. Starting from 2010 Q1, investments in unlisted shares and other equity display an increasing trend, attaining a value of 2 657 million EUR.

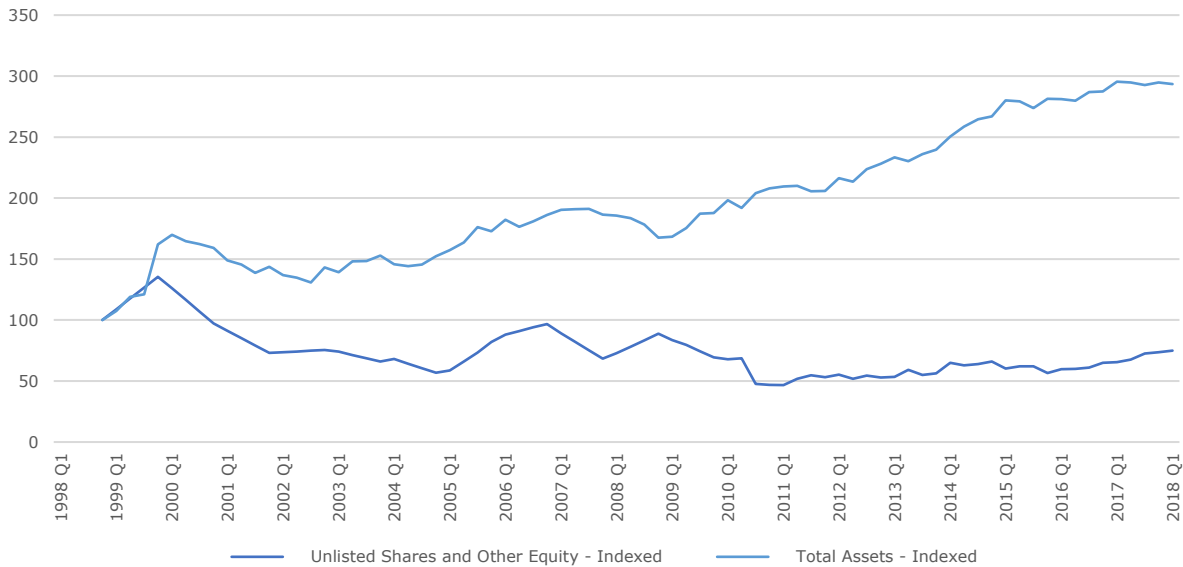
On the indexed amounts, we observe the different growth trends in total assets and investments in unlisted shares and other equity starting from 1999 Q4. After this quarter, unlisted shares and other equity show a decreasing trend until 2010 Q1, from where it starts experience an increasing trend. Concluding, that over the period 2004 – 2018, total assets reach an indexed value of 294 while the indexed value of unlisted shares and other equity drops to 75.

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