

A Guide to...

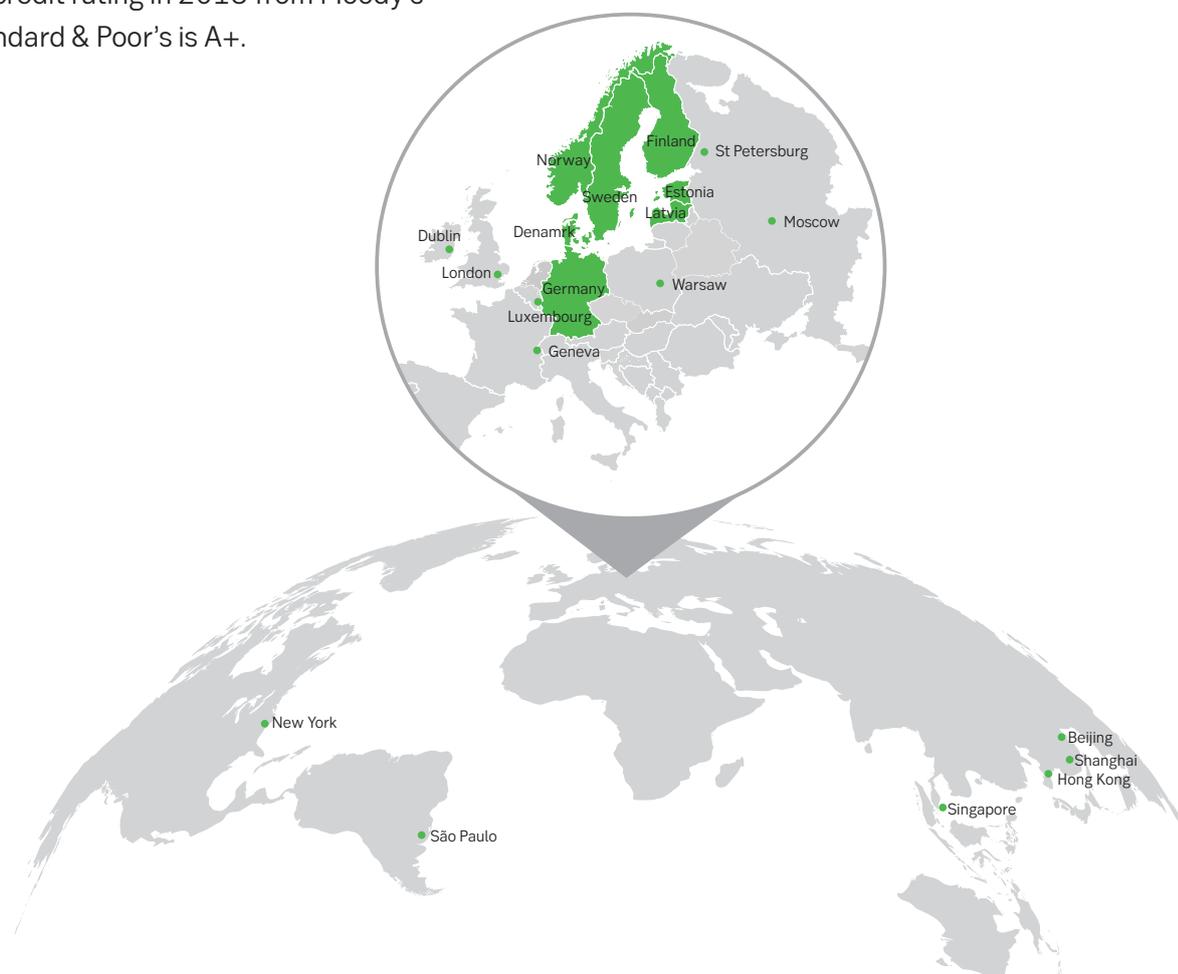
# Financial Security & Policyholder Protection

2019

## SEB Group

SEB Group is a leading Nordic financial institution. As a relationship bank strongly committed to deliver customer value, SEB Group in Sweden and the Baltic countries offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany the Bank's operations have a strong focus on a full-service offering to corporate and institutional clients.

The long term credit rating in 2018 from Moody's is Aa3 and Standard & Poor's is A+.



## Corporate Sustainability

SEB Group has raised its ambition and is aiming to be a role model in sustainability – contributing to better governance, protecting the environment and enhancing SEB's contribution to society at large. The bank is offering sustainable products and advice and is including sustainability aspects in the credit analysis process as well as in the investment management process. The Green Bond concept was developed in 2007/2008 by SEB and the World Bank as a response to increased investor demand for engagement in climate-related opportunities.



## Key Facts on SEB Group

-  SEB Group's Standard & Poor's corporate strength rating is A+
-  SEB Group's total assets amounted to €256bn with Assets under Management of € 169bn (2018)
-  4,000,000 private customers
-  400,000 Small and Medium sized customers
-  2,300 corporate customers and 700 financial institutions
-  15,000 employees worldwide
-  SEB Group is a reliable and strong partner and has a presence in 20 countries worldwide
-  Capital adequacy, as measured by the Common Equity Tier 1 ratio 19.7 per cent (2018)
-  Sweden's leading provider of unit linked insurance
-  SEB Group head office is based in Stockholm

For the ratings of the SEB Group of companies please visit: [www.sebgroup.com](http://www.sebgroup.com)

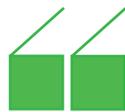
## SEB Life International

SEB Life International Assurance Company DAC, trading as SEB Life International is a life insurance company incorporated and regulated in Ireland which engages in the cross border distribution of insurance based investment products under the EU Third Life Directive.

The Company is a wholly owned subsidiary of SEB Life and Pension Holding AB, which is a wholly owned part of the SEB Group.

SEB Life International maintains its own capital and reserves and solvency margins:

- Solvency II solvency ratio 146%
- Total assets under management €7bn (March 2019)



SEB Life International is directly monitored and regulated by the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie))

### The Life Company Model

Life companies accept premiums from policyholders and, for life cover / protection business, all premiums are pooled to pay protection claims. Life cover risks are mitigated through reinsurance. For unit-linked insurance business, premiums are invested on behalf of policyholders in a range of internal insurance funds. Claims and surrenders are paid for by selling assets linked to the policy's units.

Liabilities are matched by assets for these purposes as life companies must hold total assets in excess of prudent liabilities. The solvency margin is an extra layer of capital in excess of the unit linked liabilities. Insurers match assets to liabilities so the company is not exposed to falls in asset prices.

As a Unit Linked life company, SEB Life does not issue investment guarantees, and, as a result, has a much lower risk profile than traditional life insurers. Where there are no guarantees the policyholder retains the investment risk — not the insurer.

The insurance company is liable to pay out the total value of the assets relating to the clients' policies in accordance with the Terms & Conditions for the individual policies. These assets are recorded by the insurance company in a specific register, which is updated continuously.

### Oversight of Life Insurance Companies

All Irish based life assurance companies are closely regulated by the Central Bank of Ireland. Ireland is a member of the European Union (EU) and the Irish regulatory system is fully integrated with EU law and requirements. Ireland is the European Union's largest center for insurance services.

The primary layers of oversight are the Board of Directors and the Central Bank of Ireland:



Detailed financial reports must be submitted to the Central Bank of Ireland periodically.



Technical reserves must be maintained that match the total value of all liabilities to policyholders.



A solvency margin over and above technical reserves must be held in respect of product lines.



Fit & Proper requirements for Management.

## Insurance – a robust investment environment

Life assurance companies offer several layers of protection to give financial security to policyholders. There is also additional protection arising from the oversight and regulation of life companies. The range of safeguards to protect policyholders includes the following:

### Separate legal entity

SEB Life International is an entirely separate legal entity within the SEB Group and is separately monitored and regulated by the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)). SEB Life, a separately capitalized and regulated company, is insulated from 3rd party bank failures.

### 100% Unit-linked business

SEB Life International's business is almost 100% unit-linked - we have no exposure to investment guarantees and very small levels of risk benefits. What this means is that policyholders carry the investment risk for their own policy so if one policy suffers a loss due to a bad investment other policies are not affected. We have small amounts of risk business (i.e. life cover in addition to fund values) but this is almost all reinsured so the ultimate risk resides with 3rd party reinsurers.

### Counterparty Risk

Where the assets backing any product carry counterparty risk, the counterparty risk is taken by policyholders. This is always clearly explained in our literature. Therefore any counterparty failure will not cause a loss for SEB Life International as SEB Life International is not required to make up such losses for policyholders. (This means a counterparty failure does not directly impact on SEB Life International's solvency or on other policyholders).



Under Solvency II legislation, we hold 146% of the solvency capital requirement set by EU insurance regulations (c. four times the minimum capital requirement).



### **Solvency requirements for Life Companies v. Banks**

A key difference between an insurance company and a bank from a regulatory standpoint is that a bank is not required to hold the full amount of its deposits at all times (but can use these funds to lend out to other customers). In other words, a bank's deposit liability (to repay its depositors their money on demand) is not 100% matched with assets. Conversely, a life insurance company is required to hold all the assets underlying its unit-linked policies at all times plus an additional amount for solvency margin (as outlined above). As a result there is no equivalent concept of a 'run on the bank' for an insurance company since insurance companies hold matching assets at all times.

### **Restrictions on payment of dividends**

Dividends cannot be paid out of SEB Life International to our parent unless the value of our assets is more than the amount of our liabilities. In other words, we can only pay out dividends if we have made sufficient profit. Regulations such as this prevent the running down of assets to the detriment of our policyholders, therefore protecting their investments. This measure also protects SEB Life International policyholders from our parent company (or a liquidator) attempting to withdraw funds from SEB Life International to pay their creditors in the unlikely event of their failure.

### **In the event of the Winding-up of an Irish Insurance Company**

The Solvency II Directive 2009/138/EC is transposed in the Irish regulation. It stipulates that all the assets of an insurance company must be used to pay policyholder liabilities ahead of any other creditors of the company (with the exception of liquidator fees and the revenue commissioners) in the event of winding up of an insurance company. Policyholders have first call on the assets of the company. This also has the effect that insurance companies in Ireland cannot normally use policyholder assets as security to fund their business.

### **Regulator's power to intervene**

Life companies are required to submit detailed returns on an annual basis to the Central Bank of Ireland to demonstrate solvency as well as the amount of excess assets over the minimum solvency margin. If the solvency position deteriorates the regulator has the power to intervene and require a plan to stabilize the financial position – this may even include requiring companies to cease writing business or any other steps deemed necessary.

### **Is there an investor compensation scheme for Life Insurance?**

There is no formal investor compensation scheme for life insurance policies in Ireland. The approach instead is to carefully monitor life insurance companies and to control their activities and the assets backing their liabilities to ensure that insolvency is a very remote possibility. As discussed before we are required to maintain assets to match 100% of our liabilities and then additional capital above this for solvency margin. SEB Life International holds 146% of the minimum capital requirement. We should also remember that the regulatory system for life insurance companies in Ireland is based on EU law and is very robust.





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**[www.seb.ie](http://www.seb.ie)**

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