We are all exposed to risk. It might be the risk of being in a traffic accident or of a fire in your home. It could be theft or long-term illness. Without insurance these events could entail financial disaster. With insurance you can be financially protected.

The idea of insurance is simple: you share the risks. Through insurance a household or a company pays a premium in exchange for compensation by the insurance company if disaster should strike. A private individual can also take out a pension insurance that pays a given future income in exchange for premium payments made in the present.

Insurance makes it possible for private individuals and companies to live and work in economically stable conditions. The purpose of this brochure is to provide an overall view of the insurance industry and describe its importance for the national economy.
The insurance industry

The insurance industry is an important part of the national economy. Through insurance individuals and companies can obtain financial protection at a low cost against different types of risk. Swedish insurance companies generated a premium income of SEK 309 billion in 2016, they employed almost 21,000 people and invested almost SEK 4,264 billion in the global economy.

There are 355 registered insurance companies in Sweden. Most of them are small local non-life insurance companies. The market is concentrated into a few large companies and company groups. In non-life insurance the five largest insurance companies/groups have 83 per cent of the market. In life insurance the five largest insurance companies/groups have 60 per cent of the market.

1. Number of insurance companies 2016

<table>
<thead>
<tr>
<th>Type of Company</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>National insurance companies, of which</td>
<td>123</td>
</tr>
<tr>
<td>Unit-linked insurance companies</td>
<td>9</td>
</tr>
<tr>
<td>Other life insurance companies</td>
<td>30</td>
</tr>
<tr>
<td>Non-life insurance companies</td>
<td>84</td>
</tr>
<tr>
<td>Local insurance companies, of which</td>
<td>134</td>
</tr>
<tr>
<td>Large local companies</td>
<td>40</td>
</tr>
<tr>
<td>Small local companies</td>
<td>94</td>
</tr>
<tr>
<td>Friendly societies</td>
<td>60</td>
</tr>
<tr>
<td>Foreign companies, branches and agencies</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>355</td>
</tr>
</tbody>
</table>

Source: Swedish Financial Supervisory Authority

2. Number of employed in the insurance industry 2016 per occupation

The number of employees has increased over the past ten years. The share of women is 53 per cent compared to 50 per cent in other industries. There are many different jobs in the insurance industry. The 10 most common occupations are shown in the diagramme. Besides claims adjuster, service center and salesmen, there are also economists and lawyers. The level of education has increased steadily each year. The share having a 3-year university education has risen from 17 per cent in 2000 to 32 per cent in 2015. The share of university education was 56 per cent among employees aged 18-35 and 42 per cent among employees aged 52-66. The average level of education is expected to rise even more as older employees with lower education will retire.

Source: Swedish Insurance Employers’ Association (FAO)
Insurance in Sweden

In Sweden 96 per cent of all households have home insurance. Most employees have occupational pension insurance and a large proportion of the population also have private insurance policies. In recent years the number of private health care insurance policies also increased substantially. In 2016 non-life insurance companies paid out slightly less than SEK 44 billion in compensation for various claims. Life insurance companies paid out over SEK 90 billion in pensions and death benefit.

Non life insurance

The number of non-life insurance policies for homes, holiday homes and boats amounted to almost 5.8 million in 2016. Householder insurance stands for the largest part, 3.2 million, and the largest increase. The number of homeowner insurance amounts to 1.7 million.

Home insurance consists of a package of various non-life insurance policies that protect the policyholder’s belongings in the event of theft or fire, for example. The policies also provide travel insurance, insurance against assault or liability to pay damages.

The number of holiday home insurance policies and boat insurance policies have been stable and amounted to 578,000 and 281,000 in 2016.

The number of claims reported for homes, holiday home and boat insurance policies to non-life companies in 2015 amounted to over 707,400. Claims for all-risk policies have more than doubled over the last ten-year period from 120,000 to 277,000. The number of claims has increased by 25 per cent between 2006 and 2015.
Insurance companies paid claims of almost SEK 8.3 billion in 2015 from homes, holiday homes and boats policies. The most common type of claim was on all-risk policies, while the largest type of claim in terms of value was fire damage and thunder.

The average claim paid have remained at the same level throughout the last ten years. In 2015 it amounted to SEK 11,700. The average claim paid for fire damages and thunder amounted to SEK 103,500 and for bicycle thefts 3,400. The claim paid varies due to, not only the type of damage, but also to scale. It can be large differences between damages.

Natural damages

During 2015, 27,800 natural damages occurred in Sweden. Insurance companies paid claims for SEK 965 million caused by these damages. Above all, the damages concerned business and real property (54 per cent), but also home (36 per cent) and holiday homes (6 per cent).

Most damages were caused by storm (78 per cent) and water (20 per cent). The map illustrates total claims per county. It is clear that most natural damages during 2015 occurred in Skåne, Västra Götaland and Halland. These three counties accounted altogether for 55 per cent of total claims paid for natural damages.
The average claim paid for fire damages and thunder varies a lot. In 2015 there were less than half as much fire damages than the year before, but the total claims cost was nearly at the same level. This means that the average claims cost for fire damages has increased drastically. The average claim paid is relatively constant for storm and water damages. The year 2014 was an extreme year with 7 times higher water damages compared to 2015. This means that the average claim cost per water damages was lower 2014 than 2013 and 2015.

8. Number of motor vehicle and motor third party liability insurance policies written 2006–2015

Motor vehicle and motor third party liability insurance policy

Motor third-party liability insurance is a compulsory policy that among other things covers personal injury. In 2015 it covered just over 5.5 million vehicles. Motor vehicle insurance covers damage to the vehicle itself, among other things, and covered around 6.3 million vehicles.

In 2015 the number of claims reported was over 1,000,000, most of them for motor vehicle insurance. The trend for number of claims reported for motor third party liability insurance has been slightly downwards while the claim paid has increased. Claims reported for motor vehicle insurance have increased with 9 per cent between 2006 and 2015 while average claim paid has been constant. Insurance companies paid out compensation of SEK 10.7 billion. The average claim paid for the period 2006-2015 was SEK 14,000 in third party liability insurance and SEK 8,000 in motor vehicle insurance.

Sickness insurance

Sickness and accident insurance consists of several different types of policy. It includes child insurance, rehabilitation insurance, accident insurance and various forms of sickness insurance. The insurance can be paid by an employer as a benefit or individually paid. Group insurance is normally written via a trade union.
The number of private health care insurance policies continues to increase. In 2016 about 649,000 people had private health care insurance. Most of these people have their insurance paid by their employer.

Private health care insurance complements public welfare and social protection systems. Health care insurance gives access to special medical treatment and may cover some costs that arise in connection with health care.

Savings

The Swedish pension system has three parts: national pension, occupational pension and private pension.

17 per cent of the Swedish population had private tax-deductible pension savings in 2015. In the age group 20-64 the percentage was 24 per cent. In the age group 45-54, 33 per cent had private tax-deductible pension savings.

Average savings for these were SEK 1,600 per person, a large decrease from 6,300 per person in 2014. The reason behind the decrease is in all probability due to changes in the taxdeduction the private pension savings.

Note: Only includes pension insurance, not endowment insurance
Source: Statistics Sweden
Private pension insurance is classified for taxation purposes either as pension insurance or endowment insurance. Premiums paid for private pension and endowment insurance amounted to SEK 70 billion in 2016. The policies classified as endowment insurance constitute 97 per cent of all private pension insurance.

Private pension insurance can be divided into unit-linked insurance, other life insurance and deposit insurance.

Swedish households have increased their financial savings by 66 per cent in 10 years. The most common form of saving in 2016 is occupational pension and together with private insurance savings it stands for nearly half of total savings (46 per cent). Other types of savings are bank accounts, shares or mutual funds.

The financial crisis in 2008 meant that, above all, savings in shares lost in value.

13. Premiums paid for private pension insurance 2016


Source: Statistics Sweden
Insurance companies’ market shares and products

The insurance industry can be divided into non-life and life insurance. In non-life insurance there are a number of different products that cover a lot of different risks, such as property insurance, third-party insurance, legal expenses insurance, assault insurance, and travel insurance. In life insurance the risk is associated with the life and health of the person insured. Many life insurance products are also a form of saving.

Gross Written Premium for non-life insurance companies amounted to SEK 77 billion in 2016. The five largest insurance companies are Länsförsäkringar, If, Folksam, Trygg Hansa and Moderna Försäkringar.

15. Gross Written Premium for non-life insurance by company 2016

Premiums paid for life insurance was SEK 208 billion in 2016. The five largest life insurance companies are Alecta, Folksam, Skandia, AMF and SEB Pension.

16. Premiums paid for life insurance by company 2016

Transferred capital and adjustment of paid-up values are not included.
Non-life insurance compensates for loss suffered to property and pays damages to third parties. Life insurance companies’ sickness and accident insurance is also classified as non-life insurance.

2016 gross written premium for non-life insurance companies was SEK 77 billion. The most common non-life insurance is motor vehicle insurance closely followed by business and real property insurance, and householder and homeowner insurance.

Life insurance pays compensation when the person insured is injured or dies, and when the insured person reaches pensionable age.

Insurance products that contain both insurance and savings components are called pension insurance. In 2016 premiums paid for pension insurance policies amounted to SEK 208 billion. Pension insurance can be divided into occupational pension, private pension insurance and endowment insurance.
Insurance companies’ investments

Insurance companies are major investors in the global economy. They manage their assets for the benefit of their customers. At the end of 2016 insurance companies investment assets amounted to SEK 4,264 billion. That corresponds to about 97 per cent of Sweden’s GDP and 69 per cent of Stockholm stock exchange in 2016. The capital is mainly invested in shares, mutual funds and debt securities, as well as real property and infrastructure.

At the end of 2016 the value of the insurance industry's investment assets was SEK 4,264 billion. Of this, life insurance companies accounted for 88 per cent.

Life insurance companies manage pension capital on behalf of their customers. They therefore have a long investment horizon that corresponds to these commitments. The value of life insurance companies’ investment assets was SEK 3,758 billion at the close of 2016.

20. Life insurance companies’ investment assets 2016

- Bonds issued by Swedish borrowers: 20%
- Bonds issued by foreign borrowers: 8%
- Swedish shares: 13%
- Foreign shares: 13%
- Investment funds: 35%
- Land & building: 2%
- Derivatives: 1%
- Other financial investments: 5%
- Short term investments: 2%

*Of which 33% is issued by central and local government, 57% by banks and mortgage institutions and 10% by other borrowers.

Source: Statistics Sweden
Non-life insurance companies manage premiums paid in to enable them to meet future claims payments. They therefore have a shorter investment horizon. Non-life insurance companies mainly invest in bonds issued by Swedish borrowers.

The value of non-life insurance companies' investment assets was SEK 506 billion at the end of 2016.

21. Non-life insurance companies' investment assets 2016

- Bonds issued by Swedish borrowers*: 31%
- Bonds issued by foreign borrowers: 11%
- Swedish shares: 20%
- Foreign shares: 9%
- Investment funds: 11%
- Land & building: 4%
- Other financial investments: 10%
- Short term investments: 4%

*Of which 33% is issued by central and local government, 54% by banks and mortgage institutions and 13% by other borrowers.

Source: Statistics Sweden