

# FINANSTILSYNET

## The Financial Supervisory Authority of Norway

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*This translation is for information purposes only. Legal authenticity remains with the official Norwegian version as published in Norsk Lovtidend.*

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# Act on insurance activities (Insurance Activities Act)

Act of 10 June 2005 No. 39, last amended 19 June 2015.

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## Chapter 1 General provisions

### Section 1-1 *Scope*

This Act applies to insurance undertakings and pension undertakings and the activities engaged in by such undertakings. 'Pension undertakings' means pension funds and providers of defined contribution schemes.

The rules of chapter 11 on transfers also apply to banks and to companies managing securities funds.

The King may decide that the present Act shall apply to pension funds and may make further provision in that regard.

### Section 1-2 *Territorial scope*

This Act applies on the continental shelf and in Svalbard, to the extent Norway's international obligations do not provide otherwise. The King decides whether this Act shall be made applicable to Norway's economic zone and to Svalbard, Jan Mayen and the dependencies.

### **Section 1-3 Exemptions from this Act**

The King may in special cases exempt insurance undertakings or pension undertakings, and some types of activity engaged in by such undertakings, from one or more of the provisions of this Act and may set conditions for such exemption.

## **Chapter 2 Pension funds and defined contribution pension undertakings**

### **Section 2-1 Pension fund. Pension scheme**

A pension fund is a self-owned (*selveid*) institution as mentioned in the Financial Institutions Act section 7-2 subsection (3), cf. section 2-16.

A collective (group) pension scheme as mentioned in the Financial Institutions Act section 2-16 subsection (2) is regarded as a pension scheme in this chapter.

### **Section 2-2 Pension funds for two or more undertakings/employers**

Undertakings, municipalities and other employers that are entitled to establish joint pension schemes under the Defined Benefit Pension Schemes Act chapter 12, the Defined Contribution Pension Schemes Act chapter 10 and the Occupational Pensions Act section 7-1 or the present Act section 4-2, may hold such a joint pension scheme in a pension fund (group pension fund). The requirement of a close relationship in the Defined Benefit Pension Schemes Act section 12-1 and Defined Contribution Pension Schemes Act section 10-1 applies *mutatis mutandis* to the establishment of joint pension funds for joint pension schemes not falling within the scope of these Acts.

Two or more municipalities may agree to hold their pension schemes in the same pension fund (intermunicipal pension fund). The provisions of section 4-2 second and third subsections apply *mutatis mutandis*.

Two or more independent undertakings may enter into an agreement to hold their pension schemes in the same pension fund (joint pension fund). The agreement shall in accordance with the rules of section 7-13 state:

- (a) which undertakings are covered by the agreement,
- (b) the base capital of the joint pension fund and what share each undertaking shall contribute to the joint pension fund, and rules concerning the obligation to contribute capital later,
- (c) the joint pension fund's paramount body with voting rights rules,
- (d) what types of group pension schemes are to be offered by the joint pension fund,
- (e) further provisions on the consequences of acquisition and merger of undertakings that hold their pension scheme in the joint pension fund,
- (f) the period of notice for undertakings that intend to withdraw from the agreement, and rules concerning the right to exclude an undertaking from the joint pension fund and concerning settlement under section 2-9 fourth subsection when an undertaking withdraws from the joint pension fund. Termination shall in all events be possible at three months' notice with effect from the forthcoming year end,

- (g) whether the same premium tariff or different premium tariffs are to be applied to the various pension schemes in the joint pension fund.

The King may make further provision concerning pension schemes and pension funds covered by this section, including regulations concerning municipalities' right to hold a pension scheme in an intermunicipal pension fund and undertakings' right to hold a pension scheme in a joint pension fund.

### **Section 2-3 Organisation of the activities**

A pension fund's activities and finances shall be kept legally separate from the activities of any employer, undertaking, association or other institution that holds a pension scheme in the pension fund.

The board of directors shall arrange for the proper organisation of the activities in conformity with the provisions of the Financial Institutions Act chapter 13.

The board of directors may enter into agreements on the performance of insurance technical calculations, registration of members and rights and other specific tasks encompassed by the day-to-day management of the activities. An agreement on asset management may only be entered into with a bank or life insurance undertaking that is authorised to carry on activities in Norway, or with an investment firm, a securities fund management company or an alternative investment fund manager that is authorised to carry on portfolio management.

The board of directors shall ensure that a written policy for sound asset management is in place at all times, and shall review that policy at least once a year. An account shall be prepared of the investment strategy which includes methods for the measurement and management of investment risk and the allocation of assets viewed in relation to the nature and duration of the pension liabilities.

### **Section 2-4 Relationship to the pension schemes and employer**

The rules governing a pension scheme shall be established by agreement between the pension fund and the employer. For the purposes of this section the parent company of a group, a municipality, an association and the governing body of an association pension scheme are also regarded as employers.

The provisions on group pension schemes laid down in the Insurance Contracts Act (of 16 June 1989 No. 69) apply insofar as they are appropriate. The rules in draft form shall be submitted to the pension fund's actuary for comment before the agreement is entered into.

An employer, undertaking, association or other institution with a pension scheme in a pension fund may contribute fresh capital to the pension fund to ensure that its financial position is at all times sound, and that the minimum requirements on base capital and other capital are fulfilled. The same applies to employers affiliated to an association pension scheme.

### **Section 2-5 Actuary**

A pension fund shall have an actuary for the purpose of making the necessary insurance technical calculations and enquiries. The actuary shall be approved by Finanstilsynet.

The King may make further provision regarding conditions for authorisation of actuaries and on actuaries' responsibilities, rights and obligations, and on the right to use a legal person as actuary.

### **Section 2-6 *General rules for the activities***

The provisions on life insurance of chapter 3 with appurtenant regulations apply mutatis mutandis to pension funds licensed to establish pension schemes regarded as life insurance, except as otherwise provided by or pursuant to law.

In the case of pension funds authorised to establish group pension schemes without an insurance element, the provisions of sections 3-3, 3-11 to 3-13, 3-19 to 3-21, and 3-24 apply insofar as they are appropriate.

Where assets of a pension fund are to be managed as a separate investment portfolio, the agreement shall prescribe how the portfolio shall be composed, lay down rules on the right to alter the portfolio and set other conditions that are required.

The King may make further provision regarding pension funds' activities, including rules to implement or delimit the provisions of this section.

### **Section 2-7 *Information requirement***

Members and pensioners shall be informed of changes in the rules governing their own pension scheme.

Each year each members and pensioners shall receive a statement indicating the level of the pension rights accrued by the person concerned. Information shall also be provided on the pension fund's investment strategy if the result of the asset management is of direct significance for the size of the pension entitlement.

Members and pensioners shall upon request be sent the pension fund's annual financial statements including the directors' report. The same applies to the accounts for members' and pensioners' own pension scheme if there are two or more pension schemes in the pension fund.

The King may make further provision regarding information to be provided to members and pensioners.

### **Section 2-8 *Merger, demerger and termination***

Merger, demerger and termination of a pension fund may take place pursuant to the rules of the Financial Institutions Act chapter 12 subchapter I or II. The King may make further provision regarding merger, demerger and termination.

The provisions of the Defined Benefit Pension Schemes Act chapters 13, 14 and 15, the Occupational Pensions Act chapter 7 and the Defined Contribution Pension Schemes Act chapters 11, 12 and 13 apply insofar as appropriate, except where other conditions are set by the King in his authorisation under the first subsection.

### **Section 2-9 *Special rules for joint pension funds***

The undertakings may, if unanimous, decide to permit a particular undertaking to join the agreement.

An undertaking is entitled to withdraw from the joint pension fund in accordance with the provisions of the agreement; see section 2-2 third subsection (f).

If an undertaking is in significant breach of its obligations in the joint pension fund, the other undertakings may decide to exclude the undertaking from the joint pension fund and set a termination date; see section 2-2 third subsection (f).

Where an undertaking is no longer to have its pension scheme in the joint pension fund, that part of the joint pension fund's assets that refer to the said undertaking on the termination date shall be assigned to that undertaking. The undertaking shall also be assigned part of the equity capital present in the joint pension fund on the termination date, calculated on the basis of the ratio between the premium reserve or the retirement pension capital for the undertaking's members and the premium reserve or the retirement pension capital for all members of the joint pension fund. The Defined Benefit Pension Schemes Act section 12-7, the Occupational Pensions Act section 7-1 and the Defined Pension Schemes Act section 10-5 fourth subsection apply *mutatis mutandis*.

Where two or more undertakings encompassed by a joint pension fund, or the business of the undertakings, merge, the provisions of the agreement on voting rights and capital structure shall be adapted to the changed circumstances. The same applies where undertakings encompassed by the joint pension fund are demerged.

### **Section 2-10 *Reinsurance***

An insurance undertaking shall at all times have reinsurance which is adequate viewed in relation to the undertaking's risk exposure and its financial position.

The board of directors shall ensure that updated policies are in place for the nature and scope of the undertaking's reinsurances and that the policies are complied with.

### **Section 2-11 *Requirements as to the organisation, activities etc., of defined contribution pension undertakings***

The provisions of sections 2-3, 2-4 except the second subsection second sentence, section 2-7 and 2-8 apply *mutatis mutandis* to defined contribution pension undertakings insofar as they are appropriate.

The provisions of the Financial Institutions Act section 16-9 and of this Act sections 3-3, 3-11 to 3-13, 3-20, 3-21, 3-24 and chapter 6 apply *mutatis mutandis* insofar as they are appropriate.

The King may make further provision with regard to defined contribution pension undertakings' organisation and activities, including rules to supplement and delimit the provisions of this section.

## **Chapter 3      Group and individual life insurance**

### **Section 3-1 *Scope and definitions***

The provision of this chapter apply to undertakings that provide group life insurance, individual life insurance or both, except as otherwise provided by the rules on municipal pension schemes in chapter 4 or by the rules on joint arrangements for premium calculation for pension schemes providing defined contribution pensions in chapter 5.

The following are regarded as group life insurance: group pension schemes established in accordance with the Defined Benefit Pension Schemes Act, the Occupational Pensions Schemes Act or the Defined Contribution Pension Schemes Act, municipal pension schemes, group annuity insurances, group life insurances and other life insurances written on a group basis.

Individual life insurance is deemed to be life insurance which is not group life insurance.

The King may make further provision to supplement or delimit the provisions of this chapter, including further rules on what are to be regarded, respectively, as group life insurance, municipal pension schemes, individual life insurance, paid-up policies, pension certificates, pension capital certificates, pension-cover-continuation insurances, single premium insurances, contractual liabilities and obligations related to the value of special investment portfolios.

### **Section 3-2 *Separation of business rules***

Where an undertaking engaged in group life insurance is also engaged in individual life insurance, the rules of this chapter with appurtenant regulations apply to the overall activity of the undertaking except as otherwise provided by the second subsection.

The King may make further provision regarding an undertaking's activity related to individual life insurance contracts involving contractual liabilities entered into before the date when the provisions of this chapter enter into force and which the undertakings has assigned to a separate portfolio. The undertaking shall in such case keep a separate account for that portfolio.

The first and second subsections apply to undertakings engaged solely in individual life insurance activities.

### **Section 3-3 *Price tariffs***

The undertakings shall at all times have in place price tariffs for premium calculation for all products or product combinations offered by the undertaking. The price tariffs shall disclose the overall compensation charged by the undertaking for insuring the various types of risk associated with, and for providing the various types of services included in, the various products and product combinations.

When fixing price tariffs the undertakings shall distinguish between:

- (a) the price for personal risk cover,
- (b) the price for managing assets related to the insurance contracts, including the undertaking's investment return risk,
- (c) the price for managing assets in special unit-linked investment portfolios, and in the event consideration for guaranteed return on the portfolios, and

(d) the price for administrative services.

The price tariffs may require the policyholder to pay, in addition to the premium charged for the individual contract, a contract fee at the start of the insurance relationship, and a termination fee should the policyholder end the insurance relationship before the period of insurance expires. The King may make further provision regarding the size of such fees, and may make exceptions from the rule of the first sentence in regard to group life insurances. Beyond this the undertaking may not demand any addition to the premium charged in accordance with applicable price tariffs.

In the case of paid-up policies and pension capital certificates which are managed on a unit-linked basis the undertaking may each year charge compensation for administrative services under a separate price tariff. In the case of pension-cover-continuation insurances based on paid-up policies or pension capital certificates the price tariffs in respect of personal risk and management of assets shall correspond to the price tariffs on which the paid-up policy or pension capital certificate concerned is based. The King may make further provision regarding price tariffs in respect of pension-cover- continuation insurances, including exceptions from the rule of the second sentence.

When elaborating price tariffs the undertaking shall ensure that:

- (a) the undertaking's premiums will be in reasonable proportion to the risk assumed and the services provided,
- (b) the undertaking's premiums will be sufficient to ensure that obligations under contracts entered into are fulfilled, and will be adequate in terms of the undertaking's financial position, and
- (c) there will be no unreasonable differential treatment of products, product combinations or policyholder groups.

The King may make further provision regarding price tariffs. The King may also make further provision regarding interest rates and other charging elements which the undertaking may employ when elaborating price tariffs.

### **Section 3-4 Gender as a factor in the measurement of risk**

An undertaking may employ gender as a factor in the calculation of price for personal risk cover and in the calculation of premiums and benefits if gender is a determining factor in the measurement of risk, and this is based on relevant and accurate actuarial and statistical data. In the case of agreements on private and voluntary insurances outside employment relationships, the use of gender as a factor in the measurement of risk shall not lead to differences between policyholders' premiums and benefits.

### **Section 3-5 Changing of price tariffs**

An undertaking may change its price tariffs, and shall in that case set the date on which the new tariffs shall take effect.

In regard to contracts entered into, the undertaking may not put any change into effect before the first ordinary premium due date at least four months after the policyholder has been informed of the change.

### **Section 3-6 *Calculation of premiums etc.***

When calculating premiums the undertaking shall apply the prevailing price tariffs, except as otherwise provided by section 3-5 second subsection. Claims for premium payment shall specify which items are included in the calculation, and factors of significance for the premium calculation.

The premium shall be calculated for one year at a time, and shall be payable in advance each year unless it has been agreed that payment shall be in instalments over the course of the year.

The King may make special provision regarding the calculation and payment of premium for single premium policies.

### **Section 3-7 *Obligation to notify and supervision of price tariffs***

The undertaking shall notify Finanstilsynet of adopted price tariffs and the principles for drawing up the tariffs. The same applies to price tariff changes. The King may make further provision regarding the obligation to notify.

Finanstilsynet shall oversee that the price tariffs employed are in conformity with the rules laid down in or pursuant to sections 3-3 to 3-5 and that premiums are calculated in accordance with the rules of section 3-6.

Finanstilsynet may prohibit the use of price tariffs which Finanstilsynet considers inadequate or unreasonable.

### **Section 3-8 *Policyholder assets***

In life and pension insurance, undertakings shall for each contract maintain a separate policyholder account with an overview of policyholder assets. The policyholder assets related to a contract shall comprise the premium reserve, pension capital, supplementary provisions, premium fund, contribution fund, pension surplus fund, pensions-in-payment adjustment fund, pension-holdings adjustment fund and buffer provision.

### **Section 3-9 *Premium reserves for contractual liabilities***

The premium reserve for contractual liabilities shall be calculated with a basis in the contract's technical calculation base. The premium reserve shall constitute the difference between the present value of the undertaking's future liabilities and the present value of the undertaking's future net premiums. Supplementary benefits resulting from allocated surplus shall be included. Net premiums are premiums calculated as stated in section 3-6, with deductions for the price of administrative services and the price of asset management.

If the interest rate used for premium calculation or the biometric assumptions underlying the premium calculation change, the premium reserve for liabilities arising after the change are calculated on the basis of the new interest rate for premium calculation or the new biometric calculation base.

Each year there shall be added to the premium reserve an amount corresponding to the savings element of the year's premium, annual return in accordance with the interest rate used for premium calculation, and the amount which, according to the calculation base, is to be added each year to the premium reserve as a result of the lapse of the undertaking's obligations towards insured persons

who have died in the course of the year. Surplus under the rules of section 3-18 shall also be added to the premium reserve. Premium reserves freed up, inter alia as a result of disbursements, shall be deducted.

If in the course of the year insured events occur which confer the right to payment of disability benefits or benefits to surviving dependants, the allocation to the premium reserve shall fully correspond to the present value of the undertaking's future liabilities.

The premium reserve shall be allocated to the individual contracts and the insureds with a basis in the undertaking's liabilities.

The King may make further provision regarding calculation of the premium reserve, including as to the interest rate to be used for such calculation.

### **Section 3-10 *Premium reserve for liabilities related to a special investment portfolio***

Pension capital where the liabilities are related to the value of a special investment portfolio shall at all times correspond to the value of the investment portfolio assigned to the contract. The share of the surplus on the risk result shall be included.

If a pension scheme or contract without contractual old age pension benefits confers the right to contractual disability or surviving dependants' benefits, the premium reserve for such liabilities shall be calculated pursuant to the rules of sections 3-9 and 3-19.

### **Section 3-11 *Classification of assets under management***

The undertaking's assets under management shall be classified into the group portfolio, the unit-linked investment portfolio and the undertaking's portfolio. Each of the portfolios may be classified into two or more sub-portfolios.

Assets corresponding to policyholder assets related to the undertaking's contracts that carry contractual obligations shall be included in the group portfolio. Liabilities not related to the value of a special investment portfolio are deemed to be contractual obligations.

Assets corresponding to policyholder assets related to the value of special unit-linked investment portfolios shall be included in the unit-linked investment portfolio.

Assets corresponding to policyholder assets related to contractual liabilities in respect of disability and surviving dependants shall be included in the group portfolio even if assets regarding old age pension benefits are placed in a special investment portfolio. However, this does not apply where the policyholder assets related to contractual liabilities in regard to disability and surviving dependants are managed in the unit-linked investment portfolio under the rules of the Defined Benefit Pension Schemes Act section 11-1.

Assets not included in the group portfolio or the unit-linked investment portfolio shall be included in the undertaking's portfolio.

The premium fund, contribution fund, pension surplus fund, pensions-in-payment adjustment fund and pension-holdings adjustment fund are for the purpose of this section deemed to be part of the

portfolio in which the other assets related to a contract are included, except where the contract requires the fund to be placed elsewhere.

When selecting assets for the various portfolios, and when changing the composition of portfolios, the undertaking shall abide by requirements for good business practice and ensure that unreasonable differential treatment of clients does not occur. The undertaking shall have in place policies for asset selection and portfolio change designed to avert conflicts of interest arising between clients and client groups or between clients and the undertaking. In the event of a conflict of interest between clients and the undertaking, client interests shall take precedence.

The undertaking shall establish a system for registering which assets are included in each portfolio at all times.

The rules of this section shall not prevent the undertaking from establishing an arrangement for overall asset management.

Finanstilsynet may, in accordance with the provisions of this section, decide which portfolio a contract, and any assets corresponding to a provision, shall be included.

The King may make regulations to supplement the rules of this section.

### **Section 3-12 *Management of the portfolios***

The assets in the group portfolio may be managed in separate portions determined on the basis of the undertaking's investment return risk.

The assets in the unit-linked investment portfolio shall be placed in special investment portfolios for each contract in the unit-linked investment portfolio in accordance with the requirements set forth in the contract between the undertaking and the policyholder and in accordance with rules laid down in or pursuant to law.

### **Section 3-13 *Allocation of return. Surplus***

Return on the management of assets placed in the group portfolio shall each year be distributed between the contracts involved. The return shall be distributed in proportion to the relative size of policyholder assets attached to each of the contracts.

Return allocated to a contract shall, after deduction of an allocation in conformity with the calculation base for the contract and, as the case may be, a supplementary provision in accordance with section 3-19, be allocated to the contract as surplus on the investment return result. The same applies to the allocation of return on assets corresponding to the premium fund, contribution fund, pension surplus fund, pensions-in-payment adjustment fund and pension-holdings adjustment fund. Return on assets in the risk equalisation fund shall be allocated to that fund.

Return on the management of assets placed in a special investment portfolio shall each year be allocated to the contract to which the portfolio relates. Where a return guarantee is attached to an investment portfolio, guaranteed return which is not covered by actual return shall be covered by the insurance undertaking. The same applies to the assignment of return on assets in the premium

fund, contribution fund, pension surplus fund, pensions-in-payment adjustment fund or pension-holdings adjustment fund managed in a special investment portfolio.

Return on the management of assets placed in the undertaking's portfolio shall be allocated to the undertaking each year.

The assets shall be valued in conformity with the rules laid down in the annual accounts regulations with regard to insurance undertakings.

The King may make further provision as to the valuation of assets.

### **Section 3-14 *Surplus on risk result***

The undertaking shall each year calculate the risk result separately for each group of pension schemes, other group schemes or contracts, and individual contracts including paid-up policies, pension certificates and pension capital certificates.

Surplus is reckoned as the pre-calculated risk premiums according to the applicable premium calculation base for a group less the actual risk costs for the group. The undertaking's profit margins incorporated in the price tariffs for personal risk shall be excluded from the calculations.

Surplus on the risk result shall each year be distributed between the individual contracts in each group in proportion to the risk premiums that have been paid for the individual contract. The undertaking may however decide that up to one half of the year's overall surplus on the risk result shall be allocated to the risk equalisation fund.

The King may make further provision to the effect that certain types of contract may be exempted from the provisions of the first to third subsections.

### **Section 3-15 *Strengthening of premium reserves***

The undertaking may, with Finanstilsynet's approval, devote all or part of the surplus for the year under section 3-13 first subsection and section 3-14 to increasing the premium reserve for insurance liabilities related to the contracts to which the surplus would otherwise have been allocated.

Finanstilsynet may give its consent for an undertaking, for a stipulated number of years, to apply annual surpluses under the first subsection in accordance with a plan which must have been communicated to Finanstilsynet. Finanstilsynet may require the undertaking, as a condition for consent, to make a transfer from the undertaking's capital to the premium reserve.

When called for in the interest of financial soundness or the right of transfer, Finanstilsynet may order an undertaking to apply all or part of the surplus as stated in the first and second subsections.

Surpluses applied pursuant to the rules of the first to third subsections shall be allocated to the premium reserve for the individual contracts.

**Section 3-16 *Surplus assigned to paid-up policies and pension capital certificates with contractual liabilities***

The provisions of this section apply to the allocation of surplus under section 3-13 first and second subsection assigned to paid-up policies, pension certificates and pension capital certificates with contractual liabilities. The King may by regulations provide that the provisions of this section shall also apply to other types of contract.

Where the undertaking's risk result is negative for a group of contracts, the contract's share of the risk result may be covered by deductions from the surplus on the return result allocated to the contract.

The undertaking is entitled to up to 20 per cent of the surplus on the investment return result allocated to the contract, in the event after deduction of the share of any negative risk result under the second subsection. The undertaking shall stipulate in its articles of association the percentage it will employ. Subject to the limitation of the first sentence, different distribution formulas may be set with a basis in the undertaking's investment return risk. The King may make further provision regarding such surplus sharing.

**Section 3-17 *Negative risk result for unit-linked paid-up policies, pension certificates and pension capital certificates***

The provisions of this section apply to paid-up policies, pension certificates and pension capital certificates assigned to a special unit-linked investment portfolio. The King may by regulations provide that the provisions of this section shall also apply to other types of contract.

Where the undertaking's risk result is negative for a group of contracts, the contract's share of the risk result may be covered by deductions in investment return assigned to the contract under section 3-13 third subsection or in the value of the investment portfolio assigned to the contract.

**Section 3-18 *Application of surplus assigned to the contract***

Except as otherwise provided by sections 3-15, 3-16 or 3-17, the following applies:

- (a) Surplus under section 3-13 first to third subsections and section 3-14 assigned to contracts which are regulated by the Defined Benefit Pension Schemes Act, the Occupational Pension Schemes Act or the Defined Contribution Pension Schemes Act shall be distributed in accordance with the rules on distribution of investment return in those Acts.
- (b) Surplus assigned to other contracts shall be applied as prescribed in the contract between the undertaking and the policyholder.

**Section 3-19 *Supplementary provisions***

In order to secure its liabilities under contracts with contractual liabilities, the undertaking may at the end of each year make supplementary provisions over and above the minimum requirement on the premium reserve. The same applies to contracts in a special investment portfolio designed to safeguard old-age, disability and surviving dependants' benefits under the rules of the Defined Benefit Pensions Act section 11-1. Finanstilsynet may, when it deems that solvency considerations so require, order an undertaking to devote the surplus on the individual contract to supplementary provisions.

The undertaking's supplementary provisions shall be distributed on the individual contracts. The undertaking shall set the year's supplementary provisions, cf. section 3-13 first subsection, as a percentage of the premium reserve attached to the individual contract. The King may make regulations on the right to apply a higher percentage for contracts incorporating a high rate of return or low supplementary provisions.

If the investment return allocated to a contract under section 3-13 first subsection in a year is insufficient to cover the annually required increase in the premium reserve pursuant to the premium calculation base, the requirement may be met by transfer of supplementary provisions allocated to the contract.

If supplementary provisions allocated to a contract in a year cause the overall supplementary provisions to exceed an amount corresponding to 12 per cent of the premium reserve attached to the contract, the excess amount shall be allocated to the contract as surplus. The sum of premium reserve and supplementary provisions related to a contract with contractual liabilities may otherwise only be reduced by disbursement to insureds.

#### **Section 3-20 *Premium fund and contribution fund etc.***

An undertaking's liabilities related to the premium fund, contribution fund, buffer provision, pension surplus fund, pensions-in-payment adjustment fund and pension-holdings adjustment fund shall correspond to the value of the fund at all times.

Section 3-19 applies to such funds to the extent they are to receive investment return in accordance with section 3-13 second subsection.

#### **Section 3-21 *Fluctuation reserve***

The fluctuation reserve shall correspond to the sum of unrealised gains on financial current assets included in the group portfolio; see section 3-11 second subsection.

The fluctuation reserve shall not be assigned to the contracts in the group portfolio.

The King may make further provision regarding the fluctuation reserve.

#### **Section 3-22 *Risk equalisation fund***

The risk equalisation fund may only be used to cover the annually required increase in the premium reserve for the individual contracts when the need for the increase is related to personal risk.

The risk equalisation fund shall not be distributed on the individual contracts.

The King may make further provision regarding the risk equalisation fund.

#### **Section 3-23 *Account keeping. Statement of account***

In life and pension insurance the undertaking shall for each insurance policy open and maintain an account which shall contain the policyholder account with an overview of the policyholder assets, changes in those assets over the past year and the status at 31 December of the particular year. The undertaking shall each year send the policyholder a statement of account.

The ministry may make further provision in this regard.

### **Section 3-24 *Life insurance benefits in time of war***

Should Norway enter into war, the King may decide that benefits pursuant to life insurance contracts shall only be paid in part. The King may also make other necessary changes in life insurance contracts in order to cover a life insurance undertaking's losses due to war.

## **Chapter 4      Municipal pension schemes**

### **Section 4-1 *Scope***

The provisions of this chapter apply to:

- (a) pension schemes involving defined benefit pensions established in a life insurance undertaking or a pension fund by a municipal employer who is bound by a main collective bargaining agreement between the employer and worker organisations in the municipal sector, or by a collective bargaining agreement with corresponding pension scheme requirements for municipal employers,
- (b) corresponding pension schemes for state health trusts and other state enterprises,
- (c) corresponding pension schemes for undertakings in which a municipality has decisive influence or holds or has held a municipal ownership interest, or which are closely connected to a municipality.

In this section, municipal pension schemes are deemed to be pension schemes falling within the scope of the first subsection.

The ministry may make further provision to supplement or delimit the provisions of this chapter.

### **Section 4-2 *Municipal entities akin to conglomerates***

A municipality and one or more undertakings in which the municipality has decisive influence, or a number of such undertakings, may establish a joint pension scheme.

Undertakings in which the municipality holds or has held an ownership interest, or which are closely connected to the municipality, may form part of such a joint pension scheme.

The pension scheme may in accordance with the provisions of section 10-6 be regarded as a joint arrangement for premium calculation purposes. Sections 12-3 and 12-4 of the Defined Contribution Pensions Act apply insofar as appropriate.

When the connection with the group entity ceases, sections 12-5 to 12-7 of the Defined Benefit Occupational Pension Schemes Act shall apply.

### **Section 4-3 *Municipal segment***

A life insurance undertaking engaged in activities linked to both municipal and other group pension schemes shall treat the municipal pension schemes as a separate segment. Separate accounts shall be kept for that segment.

#### **Section 4-4 *Premiums for the year***

The annual premiums for a pension scheme shall correspond to the sum of ordinary annual premiums, adjustment premiums and special single premiums for benefits for which premiums cannot be fixed beforehand.

Premiums shall be calculated in accordance with the rules of section 4-5, cf. sections 4-7 and 4-8, except as otherwise provided by the rules of section 4-6 on joint arrangements for premium calculation.

#### **Section 4-5 *Premium calculation***

A pension scheme shall each year receive a premium which, according to the calculation base for the scheme, is sufficient to secure the pension right that will accrue to the members in the course of the year, with the addition of the year's risk premiums and costs of services (ordinary annual premiums). Premiums for each year shall be calculated at the start of the year and later in the year in step with the wage trend.

Each year the pension scheme shall in addition receive premiums to cover the upward adjustment in the course of the year of accrued pension rights and pensions in payment (adjustment premiums). Adjustment premiums shall be calculated as of the date for upward adjustment based on the individual's salary development over the course of the year, the adjustment of pensions in payment and accrued pension rights of members who have quit their job without entitlement to payment of pension, in conformity with the change in the basic amount available under National Insurance Scheme.

Each year the pension scheme shall also receive premiums to cover other pension rights that in the event accrue to the members over the course of the year, and for which premiums cannot be fixed beforehand on the basis of technical calculations. Such premiums shall be calculated as of the date on which the pension rights arise.

In calculations of premiums under the rules of this section, a deduction shall be made in the pension benefits in respect of those benefits which, based on the rules governing national insurance at any time, can be assumed to be disbursed by the National Insurance Fund (estimated national insurance benefits). The ministry may make further provision regarding the determination of estimated national insurance benefits.

#### **Section 4-6 *Joint arrangement for premium calculation***

The provisions of section 4-5 shall not prevent the establishment of joint arrangements comprising two or more pension schemes to ensure that premiums under the respective pension schemes that are part of a joint arrangement will be fixed by calculation based on principles that will minimise the possibility that pension costs incurred by the individual members for the same pension rights will vary with the members' age and gender.

Any joint arrangement established under the first subsection shall each year receive premiums corresponding to the sum of ordinary annual premiums fixed on the basis of technical calculations for all pension schemes included in the joint arrangement. The individual pension scheme's share of overall ordinary annual premiums to the joint arrangement shall be calculated based on the relationship between the overall pension base for the members of each of the pension schemes,

except where it is established in the insurance terms and conditions for the pension schemes in the joint arrangement that the calculation shall instead be based on gross old age pension benefits less estimated benefits from the National Insurance Scheme Fund for all members of each of the pension schemes. Costs of services may be calculated and debited separately for each pension scheme.

Where an employee is admitted to membership of a pension scheme in the course of an insurance year, the pension scheme shall be debited with an additional premium for the remaining part of the year. The additional premium shall be calculated based on the pension scheme's share of overall ordinary annual premiums to the joint arrangement and the percentage increase in the pension scheme's overall basis for calculation of premiums under the second subsection, second sentence, which the new member represents. Any deviation from technically calculated premiums shall be included when calculating ordinary annual premiums to the joint arrangement in the following year.

Where, in the course of an insurance year, a new pension scheme is included in a joint arrangement, the ordinary annual premium for that pension scheme for the rest of the year shall be calculated based on the overall ordinary annual premium to the joint arrangement calculated for this year, and the percentage increase in the overall basis for calculation of premiums under the second subsection, second sentence, that the pension scheme entails.

The insurance contract shall state whether the adjustment premium mentioned in section 4-5 second subsection shall be calculated separately for each pension scheme or entirely or partially by average calculation. In the case of separate calculation, the adjustment premium shall be calculated for each pension scheme in the joint arrangement based on the percentage increase in the premium reserve for the pension scheme that is required as a result of upward adjustment of the members' accrued pension rights based on the individual's salary development. The adjustment premium for upward adjustment of pensions in payment and of accrued rights of employees who have quit their position without being entitled to payment of pension, shall be calculated in relation to that part of the premium reserve which secures such pension rights. In the case of average calculation, the joint arrangement shall each year receive adjustment premiums corresponding to the sum of annual adjustment premiums under section 4-5 second subsection for all pension schemes included in the joint arrangement. The individual pension scheme's share of overall adjustment premiums to the joint arrangement shall be calculated based on the relationship between overall premium reserves for each of the pension schemes as of the date of upward regulation of the pension rights. Costs of services may be calculated and debited separately for each pension scheme.

The insurance contract shall state whether the premiums mentioned in section 4-5 third subsection shall be calculated separately for each pension scheme or entirely or partially by average calculation as mentioned in the second subsection.

The ministry may make further provision regarding joint arrangements for premium calculation.

**Section 4-7 *Premium calculation based on linear accrual etc.***

In the calculation of the pension schemes' premiums it shall be assumed that the members' pension rights accrue on a linear basis as from the date of enrolment in the pension scheme up to a retirement age of 67 years or other specified age. Where a previous pensionable period of employment from a state or other municipal pension scheme is to be taken into account, the date of enrolment shall be reckoned from a correspondingly earlier date.

The Defined Benefit Pension Schemes Act section 9-3 applies.

Where a member utilises his/her right to retire with the right to pension payments before reaching retirement age, an additional premium as mentioned in section 4-5 third subsection shall be payable.

**Section 4-8 *Change in the assumptions for the technical calculation base***

Should it turn out that the deduction in pension benefits in respect of benefits paid by the National Insurance Fund is smaller than assumed when the premiums were calculated, an additional premium shall be calculated under section 4-5 third subsection to cover the difference. This also applies if the reason is a change in the rules governing national insurance that entails that the benefits from the National Insurance Fund are being or will be reduced. If the deduction in respect of benefits from the National Insurance Fund is larger than assumed when the premiums were calculated, the surplus premium reserve shall be added to the premium fund.

If it otherwise turns out that key assumptions for the calculation base applied to calculate premiums in previous years no longer apply, a new calculation base and, in the event, changed conditions for the pension scheme, shall be established. Any reservation of the right to alter premiums shall in such cases be made clear in the conditions for the pension scheme.

The Defined Benefit Pension Schemes Act section 9-5 first and second subsection applies.

**Section 4-9 *Payment of premiums***

If the premium for an insurance year is not paid by the end of the year or by another deadline stipulated in a new premium notice under the Insurance Contracts Act section 14-2, the increase in the insurance liabilities that the unpaid premium was to cover shall be cancelled. The members of the pension scheme or the pension schemes shall in such case be notified accordingly. Such cancellation shall nevertheless not warrant any demand for repayment of excess pension payments.

The ministry may make further provision regarding payment of premiums.

**Section 4-10 *Minimum requirements for premium reserves***

A pension scheme's premium reserve shall at all times be sufficiently large, based on the scheme's technical calculation base, to secure each pension scheme member's right to accrued pension, including the right to disability pension and surviving dependant's pension.

A pension scheme's premium reserve shall at least correspond to the sum of the premium reserves needed to secure the right to accrued pension for each member of the pension scheme, including premium reserves accrued by employees who have quit their job. However this does not apply to premium reserves for retired employees whose previous pensionable employment under another scheme is included provided that the appurtenant premium reserves are transferred. In order for a member whose previous pensionable employment from another pension scheme is included, cf. section 4-7 first subsection, without transfer of the appurtenant premium reserve, a deduction shall be made corresponding to the premium reserve that would be sufficient to secure the pension right accrued by virtue of such included pensionable employment.

In the calculation of premium reserves, a deduction shall be made in the pension benefits in respect of those benefits which, based on the rules governing national insurance at any time, can be assumed to be disbursed by the National Insurance Fund; see section 4-5 fourth subsection.

In the calculation of premium reserves, a deduction shall also be made for insurance liabilities that have been voided under section 4-9.

**Section 4-11 *Pension scheme's policyholder assets***

A municipal pension scheme's policyholder assets comprise the premium reserve, supplementary provisions, premium fund, and any buffer provision.

**Section 4-12 *Disposal over a pension scheme's assets***

A pension scheme's assets shall be kept separate from policyholder assets. A pension scheme's assets shall not be liable for a policyholder's debts and cannot, by security interest or any other means, be used to secure or indemnify a policyholder's creditors.

A pension scheme's assets may not be used to disburse pensions or other benefits to employees who are not enrolled as members.

The Defined Benefit Pension Schemes Act sections 10-2 to 10-4 applies to any premium fund attached to a pension scheme insofar as appropriate.

**Section 4-13 *Asset management***

A pension scheme's assets shall be managed in accordance with the rules governing asset management at life insurance companies and pension funds that are in force at any time, except as otherwise provided by section 4-15.

Each year the return on assets attached to a premium fund shall be added to that premium fund.

**Section 4-14 *Surplus***

Surplus added to the pension scheme shall be credited to the policyholder and transferred to the pension scheme's premium fund.

Surplus on premium reserves attached to pensions in payment or attached to the deferred pension right of an employee who has quit his/her job shall nonetheless be added to the premium reserve if the pension benefit or the pension right is not adjusted in line with the annual change of the basic amount available under the National Insurance Scheme.

**Section 4-15 *Special investment portfolio***

A policyholder may, in accordance with the rules governing the pension scheme, make an agreement to the effect that the policyholder assets shall be managed as an investment portfolio assigned to the pension scheme. The agreement shall specify the portfolio's composition and what opportunity there is to change that composition, and shall specify any return guarantee that may be attached to the portfolio.

Investment return over and above that employed in the pension scheme's calculation base shall be transferred to the premium fund.

If the return on the investment portfolio in an accounting period is less than assumed in the calculation base for the pension scheme, a request shall be made for the difference to be covered by transfer from the premium fund or contribution from the policyholder. The pension institution shall be responsible to the insureds for ensuring that the difference is made good.

The Defined Benefit Pension Schemes Act sections 11-3 to 11-5 applies.

#### **Section 4-16 *Pension institution's disclosure obligation***

A pension institution shall establish and keep a separate account for the policyholder assets attached to each pension scheme. The account shall contain accounts and status as at 31 December for each year. Further provision will be made by Finanstilsynet.

The pension institution shall each year send the policyholder a printout of the account for the pension scheme together with information of material significance to the policyholder's assessment of the insurance relationship. Finanstilsynet may make further provision in this regard.

The pension institution shall issue a pension certificate to employees who quit their job without being entitled to a pension starting immediately. The pension certificate shall state what pension rights the person concerned has accrued (deferred rights) as at the date of quitting. The pension institution shall subsequently, at the request of the holder of the pension certificate, provide updated information. If the pension scheme, and any deferred right under section 6-11, is transferred, the pension institution from which the pension scheme is transferred shall inform the resigned employee accordingly.

#### **Section 4-17 *Transfer of pension scheme***

A pension scheme and its assets may be transferred to another pension institution pursuant to the rules of chapter 6.

#### **Section 4-18 *Termination of pension scheme***

If an undertaking with a municipal pension scheme goes into bankruptcy or it is decided that the undertaking or its business shall be wound up, the pension scheme shall be terminated. The same applies where an undertaking halts payment of premiums to the pension scheme and the premium cannot be covered out of the assets of the premium fund.

Where a pension scheme is terminated, the pension scheme's assets shall be distributed between the members, the pensioners and employees who have quit their job on the basis of the premium reserve attached to each individual's accrued pension rights, and shall be used to secure their right to pension in the pension institution.

## **Chapter 5            Joint arrangements for premium calculation for defined benefit pension schemes**

### **Section 5-1 *Scope of application***

The provisions of this chapter apply to pension schemes providing defined benefit pensions where the financing is based on premium calculation under a joint arrangement.

Defined benefit pension schemes as mentioned in the first subsection may only be included in a joint arrangement consisting of other defined benefit pension schemes.

A joint pension scheme for group undertakings may constitute a joint arrangement. Defined benefit pension schemes in the same joint pension fund may constitute a joint arrangement.

A pension fund having one or more joint arrangements shall keep accounts for each joint arrangement.

The ministry may make further rules to supplement, implement or delimit the rules of the present chapter.

### **Section 5-2 *Premiums for the year***

Annual premiums for a pension scheme shall correspond to the sum of ordinary annual premiums, adjustment premiums and special single premiums for benefits for which premiums cannot be fixed beforehand.

Premiums shall be calculated in accordance with section 5-3 except as otherwise provided by the rules of sections 5-4 and 5-5 on joint arrangements for premium calculation.

### **Section 5-3 *Premium calculation***

Each year a pension scheme shall receive premiums which, according to the calculation base for the scheme, is sufficient to secure the pension right accruing to the members over the course of the year, with the addition of the year's risk premiums and costs of services (ordinary annual premiums). Premiums for each year shall be calculated at the start of the year and later in the year in step with the wage trend.

Each year the pension scheme shall in addition receive premiums to cover the upward adjustment in the course of the year of accrued pension rights and pensions in payment (adjustment premiums). Adjustment premiums shall be calculated as at the date for upward adjustment based on the wage trend in the course of the year.

The pension fund shall each year also receive premiums to cover other pension rights which the members may accrue in the course of the year and for which premiums cannot be fixed beforehand on the basis of technical calculations. Such premiums shall be calculated as of the date on which the pension rights arise.

### **Section 5-4 *Conditions applying to joint arrangements for premium calculation***

The provisions of chapter 3 shall not prevent the establishment of joint arrangements comprising two or more pension schemes to ensure that premiums under the respective pension schemes that are part of a joint arrangement will be fixed by calculation based on principles that will minimise the possibility that pension costs incurred by the individual members for the same pension rights will vary with the members' age and gender.

All pension schemes in a joint arrangement shall have pension plans providing the same type of pension benefits. The relationship between the old age pension benefit and the surviving dependants' benefit for the individual member shall be the same under the pension plans for all the

pension schemes. All the pension schemes shall employ the same rate of return and in the main the same calculation base.

Pension schemes with pension plans providing a different benefit level for old age pension may be part of the same joint arrangement.

**Section 5-5 *Premium calculation under joint arrangements***

A joint arrangement established under section 5-4 shall each year receive premiums corresponding to the sum of ordinary annual premiums fixed by technical calculation for all pension schemes included in the joint arrangement. The individual pension scheme's share of overall ordinary premiums to the joint arrangement shall be calculated based on the relationship between the right to old age pension that will accrue over the course of the year for all members of each of the pension schemes. Costs of services may be exempted from distribution under the joint arrangement.

Where an employee is admitted to membership of a pension scheme in the course of an insurance year, an additional premium shall be debited for the remainder of the year. The additional premium shall be calculated based on the pension scheme's share of overall ordinary annual premiums to the joint arrangement and the percentage increase of the pension scheme's basis for calculation under the first subsection, second sentence, which the new member represents. Any deviation from technically calculated premiums shall be included when calculating ordinary annual premiums to the joint arrangement in the following year. The provisions of the first to third sentence apply *mutatis mutandis* when calculating additional premium in respect of an individual salary increase for a member of the pension scheme.

Where, in the course of an insurance year, a new pension scheme is incorporated in a joint arrangement, the ordinary annual premium shall be calculated based on the overall ordinary annual premiums to the joint arrangement that are calculated for that year, and the percentage increase in the overall calculation base under the first subsection, second sentence, that the new pension scheme represents.

The insurance contract shall state whether the adjustment premium mentioned in section 5-3 second subsection shall be calculated separately for each pension scheme or entirely or in part by average calculation. In the case of separate calculation, the adjustment premium shall be calculated for each pension scheme in the joint arrangement based on the percentage increase in the premium reserve for the pension scheme that is required as a result of upward adjustment of the members' accrued pension rights based on the wage trend. In the case of average calculation, the joint arrangement shall each year receive adjustment premiums corresponding to the sum of annual adjustment premiums under section 5-3 second subsection for all pension schemes included in the joint arrangement. The individual pension scheme's share of overall adjustment premiums to the joint arrangement shall be calculated based on the relationship between overall premium reserves for each of the pension schemes as at the date of upward regulation of the pension rights. In the calculation of premium reserves under the rules of this subsection, premium reserves linked to pensions in payment shall be excluded from the calculation, except as otherwise provided. Costs of services may be calculated and debited separately for each pension scheme.

Adjustment premiums for pensions in payment shall be calculated and debited separately for each individual pension scheme.

The insurance contract shall state whether the premiums as mentioned in section 5- 3 third subsection shall be calculated separately for each pension scheme or entirely or in part by average calculation as mentioned in the first subsection.

### **Section 5-6 *Older employees***

All pension schemes in a joint arrangement shall have the same rules concerning enrolment of members having fewer than 10 years left to retirement age, and concerning the right to pension and the inclusion of previous pensionable employment for such employees when they are admitted as members; see the Defined Benefit Pension Schemes Act section 3-9 second and third subsection, cf. section 5-6 first subsection (c).

### **Section 5-7 *Payment of premiums***

If the premium for an insurance year is not paid by the end of the year or by another deadline stipulated in a new premium notice under Act of 16 June 1989 No. 69 on Insurance Contracts section 4-12, the increase in insurance liabilities that the unpaid premium was to cover shall be voided. The members of the pension scheme shall in such case be notified accordingly. Such voidance shall nevertheless not warrant a demand for repayment of excess pension payments.

The ministry may by regulations make further provision regarding payment of premiums.

## **Chapter 6      Transfer**

### **Section 6-1 *Scope of application and right of transfer***

The provisions of this chapter apply to the transfer between pension institutions of:

- (a) pension schemes under the Defined Benefit Pension Schemes Act,
- (b) pension schemes under the Occupational Pension Schemes Act,
- (c) pension schemes under the Defined Contribution Pension Schemes Act,
- (d) pension schemes encompassed by chapter 4,
- (e) other group pension schemes,
- (f) paid-up policies, pension certificates, pension capital certificates and equivalent individual pension rights derived from group pension schemes,
- (g) individual pension agreements (pension insurance and life annuity contracts, and other pension agreements),
- (h) other life insurance contracts.

Contracts as mentioned in the first subsection (a) to (h) may be transferred to another pension institution. 'Transfer' means termination of the contract and transfer of appurtenant assets to an equivalent contract established in another pension institution.

The following are regarded as pension institutions under this chapter: insurance undertakings, pension undertakings, banks and companies managing securities funds.

Conversion, merger and demerger of pension schemes in connection with transfer may be carried out in accordance with generally applicable rules. The same applies to the merger and conversion of paid-up policies, pension capital certificates and other individual pension rights derived from group pension schemes.

The ministry may make further rules to supplement, implement or delimit the rules of this chapter.

### **Section 6-2 *Transfer of group pension schemes***

In the case of undertakings which transfer a pension scheme mentioned in section 6-1 first subsection (a) to (d) or a group life annuity scheme, the rules of sections 6-2 to 6-10 apply.

Transfer must encompass the entire pension scheme. Where a municipal pension scheme is transferred, deferred pension rights and assets attached to such rights are also encompassed.

Where the transfer concerns an undertaking which has a joint pension scheme with one or more other undertakings, the undertaking and its group of members with their appurtenant share of the assets of the joint pension scheme must be separated out from the joint pension scheme.

### **Section 6-3 *Rights under the new pension scheme***

The rights of the employees and pensioners after the transfer shall be established in the rules governing the new pension scheme.

The rules governing the new pension scheme may not contain provisions entailing any reduction in the employees' right to accrued pension with appurtenant premium reserves or to accrued pension capital. Pensioners shall be assured pension benefits with appurtenant premium reserves or pension capital that are at least equivalent to the benefit rights that applied prior to the transfer.

The provisions of this section shall not prevent the rules governing the pension scheme from being changed in line with generally applicable rules with effect for pension accrual in a pensionable period of employment after transfer, neither shall they prevent the pension scheme's assets after transfer from being managed entirely or in part as a special investment portfolio in accordance with generally applicable rules.

### **Section 6-4 *Members' right to express their views etc.***

Before an undertaking transfers a pension scheme it shall see to it that the members receive full details of the transfer of the pension scheme and of the rights they will acquire under the new pension scheme. The transferring and receiving pension institutions are obliged to ensure that the respective undertakings' information is correct and comprehensive.

The question of transferring the pension scheme shall be put before the pension scheme's steering group for comment.

Members of the pension scheme shall also be given the opportunity to express their views. A worker organisation may express its views on behalf of its members. Any other rule may be established in a collective bargaining agreement.

### **Section 6-5 *Termination. Transfer fee***

A contract concerning a pension scheme may be terminated with two months' notice. Termination shall be in writing. The requirement as to writing shall not prevent termination from being communicated electronically, provided a satisfactory method is used to authenticate the sender and secure the content of the message.

The first subsection shall not prevent an agreement to the effect that the termination notice period shall not expire before the first quarter-end, half-year end or year-end in the case of pension schemes with annual premiums calculated under the rules of section 4-6.

Upon the expiry of the termination notice period, risk related to members and pensioners in the pension scheme shall pass to the pension institution to which the pension scheme is being transferred.

The undertaking shall pay a transfer fee to cover costs incurred by the pension institution in terminating the contract and transferring the pension scheme's assets to another pension institution. The ministry may make further provision regarding transfer fees.

### **Section 6-6 *Settlement period***

The pension institution shall transfer the pension scheme's assets to the new pension institution upon the expiry of the termination notice period. Where the pension scheme's assets exceed NOK 300 million the settlement deadline shall nonetheless be two months after the expiry of the termination notice period.

The pension institutions may agree a different period of notice for late settlements than that stated in the first subsection.

### **Section 6-7 *Calculation of the pension scheme's assets***

A defined benefit pension scheme's assets comprise a premium reserve to secure accrued pension, including premium reserve for disability and surviving dependants' benefits, as well as supplementary provisions, the pension surplus fund and premium fund. The pension scheme's share of the surplus in the transfer year is also included.

In defined contribution pension schemes, the pension scheme's assets comprise the pension capital and the contribution fund, as well as the pension scheme's share of the surplus in the transfer year.

Upon transfer, the policyholder assets that are connected to the pension scheme calculated at the time of expiry of the termination notice period are transferred. The pension scheme's share of the surplus in the transfer year up to the time of expiry of the termination notice period is also included.

Where the pension scheme's assets are managed in a special investment portfolio(s), the market value of the portfolio at the expiry of the termination notice period shall be taken as a basis for transfer value calculation. This also applies to return and value preservation guarantees attached to the portfolios. The Defined Benefit Pension Schemes Act section 11-1 fourth subsection applies.

### **Section 6-8 *Premium reserve for disability benefits***

The premium reserve for disability benefits to members who have become disabled prior to the expiry of the termination notice period shall be determined with reference to the calculation base that applied to the pension scheme at the end of the termination notice period. The established degree of disability shall be taken as a basis even if the degree of disability is established after this point in time.

Any member who is absent due to illness upon the expiry of the termination notice period shall for the purposes of this section be regarded as disabled if the illness that was diagnosed at that point has conferred a right to a work assessment allowance or disability benefits within one year of the expiry of the termination notice period.

The one-year period stated in the second subsection may be departed from by agreement between the pension institutions. Such agreement shall not affect the undertaking's or the insureds' rights vis-à-vis the transferring pension institution under the second subsection unless the undertaking consents to the obligations being taken over by the receiving pension institution.

### **Section 6-9 *Method of settlement***

The pension scheme's assets, calculated under the rules of sections 6-7 and 6-8, shall be transferred in cash or cash equivalents. The pension institutions may agree that settlement in respect of assets placed in a special investment portfolio shall be effected by transfer of the portfolio.

In the case of transfer of assets after the expiry of the termination notice period, return on the assets shall be paid as from the expiry of the termination notice period up to the date on which the assets are transferred. The return shall be calculated with reference to the interest rate on sight deposits in Norges Bank plus 2 percentage points, unless a higher interest rate is agreed between the pension institutions.

If the settlement notice period in section 6-6 is disregarded, and this is not due to circumstances on the part of the policyholder or the receiving pension institution, penalty interest shall be payable pursuant to Act of 17 December 1976 No. 100 related to interest on overdue payments etc., from the expiry of the settlement notice period up to the date when the assets are transferred. Investment return calculated in accordance with the second subsection shall also be payable.

### **Section 6-10 *Application of transferred assets***

Transferred premium reserves shall be used to secure the members' and the pensioners' rights in accordance with the new body of rules governing the pension scheme and the calculation base upon which this builds.

Supplementary provisions, the pension surplus fund and premium fund shall, after the transfer, remain a part of the pension scheme's assets and be utilised in accordance with generally applicable rules.

If the transferred premium reserve is not sufficient to secure the rights of the individual members or pensioners pursuant to the calculation base of the pension institution to which the transfer is made, the premium reserve shortfall shall be made good from the premium fund. Any remaining shortfall shall be covered by transfer of supplementary provisions or by transfers from the undertaking.

If the transferred premium reserve attached to the members' and the pensioners' accrued pension rights is larger than necessary to secure their rights pursuant to the calculation base of the pension institution to which the transfer is made, the surplus premium reserve shall be used as a single premium to supplement the pension benefits. In municipal pension schemes the surplus premium reserve shall be transferred to the premium fund.

The pension capital and contribution fund in defined contribution pension schemes shall after the transfer be managed in accordance with the new body of rules governing the pension scheme and the calculation base upon which this builds.

**Section 6-11 *Transfer of pension rights derived from group pension schemes***

Where a municipal pension scheme is transferred, deferred pension rights in that pension scheme with appurtenant assets shall be simultaneously transferred to the new pension institution. The provisions of section 6-3, section 6-5 third and fourth subsections, section 6-7 first, third and fourth subsections, section 6-8, section 6-9 and section 6-10 first to fourth subsections, apply.

Upon the transfer of other pension schemes, pension rights related to paid-up policies, pension certificates or pension capital certificates shall not be transferred to the new pension institution unless the person entitled to the paid-up policy, pension certificate or pension capital certificate so requests under the rules of section 6-13.

**Section 6-12 *Transfer where a previous pensionable period of employment is taken into account***

Where an employee becomes a member of a defined benefit pension scheme which has provisions regarding inclusion of a previous pensionable period of employment, the rules of the Defined Benefit Pension Schemes Act sections 4-11 to 4-13 apply. In the calculation of the assets which are to be transferred, section 6-7 first, third and fourth subsections apply. Section 6-5 fourth subsection, section 6-9 and section 6-10 first to fourth subsections apply insofar as appropriate.

**Section 6-13 *Transfer of paid-up policies, pension certificates and pension capital certificates***

Whoever is entitled to pension rights attached to a paid-up policy, pension certificate or pension capital certificate may transfer the contract to another pension institution. The termination notice period for transfer is one month.

The provisions concerning formal requirements for notice of termination in section 6-5 first subsection second and third sentences, risk transfer in section 6-5 third subsection, and notice of settlement in section 6-6, apply.

In regard to calculation, settlement and application of the assets to be transferred, the provisions of sections 6-7, 6-8, 6-9 and section 6-10 first, second, fourth and fifth subsections apply. If the transferred premium reserve is not sufficient to secure the rights under a paid-up policy, the premium reserve shortfall shall be covered by transferred supplementary provisions.

**Section 6-14 *Transfer of individual pension agreements***

Whoever has an individual pension agreement, or an individual annuity insurance, may transfer the contract to another pension institution. The termination notice period for transfer is one month.

The provisions concerning formal requirements for notice of termination in section 6-5 first subsection second and third sentences, risk transfer in section 6-5 third subsection, and notice of settlement in section 6-6, apply.

In regard to calculation of the assets to be transferred, the provisions of sections 6-7 and 6-8 apply. Settlement shall be effected pursuant to the rules of section 6-9.

Transferred assets shall be used to secure rights under the new pension agreement pursuant to the rules of section 6-10 first and second subsections. If the premium reserve in respect of pension insurance contracts is not sufficient to secure the rights under the new contract, the shortfall may be covered by transfer from the premium fund or, as the case may be, from supplementary provisions attached to the contracts. The surplus premium reserve shall be used to increase the benefits, unless the policyholder requests that the moneys be transferred to the premium fund.

Whoever is designated as beneficiary under the pension agreement shall be notified of the transfer.

In the case of individual pension agreements, the transferring pension institution may reserve the right to make a deduction in the premium reserve (deduction based on selection). Such deduction may only be requested where the pension institution to which the contract is transferred requires a new medical test of insureds. The ministry may make further provision.

## **Chapter 7      Non-life insurance**

### **Section 7-1 *Non-life insurance activities etc.***

Authorisation to carry on business as a non-life insurance undertaking confers the right to write insurance that is regarded as non-life insurance. Non-life insurance is deemed to include insurance against damage to or loss of property, rights or other benefits and insurance against liability for damages or costs, and accident insurance, sickness insurance and other personal insurance that is not life insurance.

A non-life insurance undertaking does not have the right to market or offer insurance against criminal sanctions if such insurance would be against the legal order. The ministry may by regulations or administrative decision prescribe what is to be understood by insurance against the legal order.

### **Section 7-2 *Self-insurance schemes***

A non-life insurance undertaking may manage self-insurance schemes for undertakings and institutions provided that it writes insurance for the same undertaking or institution. The King may by regulations make exceptions from the condition in the first sentence.

The undertaking shall keep a separate account for each self-insurance scheme with settlement at each year-end.

### **Section 7-3 *Non-life insurance undertakings' sales channels***

A non-life insurance undertaking shall ensure that its agents fulfil the requirements set in the Insurance Contracts Act sections 2-1, 2-2, 11-1 and 11-2 when entering into insurance contracts with policyholders.

A claim for compensation under an insurance contract may be notified to the agent. Pursuant to the Insurance Contracts Act sections 8-5 and 18-5, a claim shall be deemed to have been filed with the non-life insurance undertaking on the date the agent received the notification.

**Section 7-4 Insurance mediation etc.**

The Insurance Mediation Act chapter 7 on insurance agent activity, with the exception of the provisions of sections 7-5 and 7-6, applies to a non-life insurance undertaking's mediation of insurance and to the person in charge of the insurance mediation activity.

**Section 7-5 Premium tariffs**

A non-life insurance undertaking shall establish premium tariffs for standardised products or product combinations which are marketed by the undertaking. The undertaking shall by simple means provide anyone requesting such insurance with information about the premium level and policyholder characteristics to which, according to the premium tariff, importance will be attached in the calculation of premiums. The undertaking shall in the premium tariff or by other means establish rules for what policyholder characteristics will qualify for a premium discount or require a premium increase. The King may make further provision regarding premium tariffs.

Information about the premium on an insurance policy shall include the total fee normally charged by the undertaking for assuming the various types of risk covered by the insurance terms for the various products and product combinations, and for providing services attached to those products.

The undertaking may apply different premiums to different policyholder groups where actuarial calculations or risk statistics provide a proper basis for assuming that the insurance risk represented by policyholders in the various groups will differ.

The undertaking shall when elaborating the premium tariffs and when fixing the premium ensure that:

- (a) the undertaking's premiums will be in reasonable proportion to the risk assumed and the services provided,
- (b) the undertaking's premiums will be sufficient to provide certainty that obligations under contracts entered into will be fulfilled, and will be adequate in terms of the undertaking's financial position, and
- (c) there will be no unreasonable differential treatment of products, product combinations or policyholder groups.

The undertaking shall notify Finanstilsynet of premium tariffs set for life insurances as mentioned in the Financial Institutions Act section 2-14 subsection (2), and of the principles for elaborating such premium tariffs.

Finanstilsynet shall oversee that the premiums employed are in accordance with the rules of this chapter. The King may prohibit use of premiums that the King deems to be inadequate or unreasonable.

The King may make rules concerning the obligation of non-life insurance companies to disclose information on products, premiums and insurance terms in non-life insurance to an information scheme for financial services.

**Section 7-6 Change of premium tariffs**

A non-life insurance undertaking may change its premium tariffs, and shall in such case set the date as from which the new tariffs shall apply.

If the undertaking's technical results show that the undertaking's premiums for one or more insurance products are not in reasonable proportion to the risk assumed and the services provided, the undertaking shall consider the need for premium change. The undertaking shall change premiums that prove insufficient to provide certainty that liabilities under insurances written will be met.

For insurances written, a premium increase cannot be given effect earlier than as from the first main due date, and at least one month after the policyholder has been informed of the stipulated change.

#### **Section 7-7 *Calculation of premiums etc.***

The premium shall be calculated for one year at a time, and shall be payable in advance each year, unless payment in instalments over the course of the year has been agreed, or the period of insurance is shorter than one year. A demand for payment of premium shall specify which items are included in the calculation, and indicate other factors of significance for the size of the premium.

A non-life insurance undertaking may nonetheless agree that the annual premium for an insurance shall not be increased, or that any increase in the annual premium shall only be permitted pursuant to established guidelines over the course of a period of up to four years.

#### **Section 7-8 *Equalisation arrangement***

#### **Section 7-9 *Claim settlement***

The ministry may by regulations make further provision concerning non-life insurance undertakings' claims appraisal services.

#### **Section 7-10 *Regulations***

The King may by regulations make further rules to supplement or delimit the provisions of this chapter.

## **Chapter 8      Derogations**

#### **Section 8-1 *State***

The provisions of this Act shall not apply to schemes managed by the state. The King may nonetheless prescribe that this Act, or parts of it, shall apply to Norges Bank's pension fund.

#### **Section 8-2 *Livestock insurance***

The provisions of this Act shall not apply to livestock insurance managed by abattoirs or dairies. They shall however submit each year a statement of their activities to Finanstilsynet. Finanstilsynet may, if required in the interest of the policyholders, decide that such schemes shall also be subject to this Act or parts thereof.

#### **Section 8-3 *Funeral funds and provident funds***

The provisions of this Act shall not apply to funeral funds or provident funds which provide a maximum benefit equal to the National Insurance Scheme's basic amount. Such entities may however be instructed by Finanstilsynet to submit a statement of their activities to Finanstilsynet.

Finanstilsynet may, if required in the interest of the persons entitled to the benefits, decide that such entities shall also be subject to this Act or parts thereof.

**Section 8-4 *Small mutual insurance undertakings***

The King may grant small mutual insurance undertakings full or partial exemption from the provisions of this Act.

**Section 8-5 *Coastal marine insurance associations***

The provisions of this Act shall not apply to insurance associations which are regulated by Act of 3 July 1953 No. 2 on coastal marine insurance associations.

**Section 8-6 *Reinsurance***

The King may grant full or partial exemption from the provisions of this Act to companies whose activity is confined to reinsurance.

**Section 8-7 *War risk at sea***

The King may grant full or partial exception from the provisions of this Act to companies whose activity is confined to insurance of war risk at sea.

**Section 8-8 *Other derogations***

The King may by regulations or by administrative decision grant exemption from this Act to insurance undertakings whose articles of association confine them to writing direct insurance for a specified group of policyholders and, as the case may be, with reinsurance in addition. The King may also exempt such undertakings from other provisions of this Act.

Finanstilsynet shall in cases of doubt decide whether an undertaking falls within the scope of the first subsection.

## **Chapter 9      Penal provisions**

**Section 9-1 *Criminal liability***

Elected officers or employees of institutions which are subject to this Act who wilfully or negligently contravene the Act or provisions or orders issued pursuant thereto or who otherwise contravene rules in force for the activity concerned or who assist in such contravention, shall be punishable by fines, or in particularly aggravating circumstances by a term of imprisonment not exceeding one year, unless a severer penal provision is applicable to the offence.

Where an order made by Finanstilsynet is not complied with, the ministry concerned may provide that the persons and/or the institution, the parent company of the institution or the parent company of the group of which the institution is part, which are/is bound by the order, shall pay a cumulative daily fine until the circumstance is rectified. An order imposing a cumulative daily fine constitutes ground for enforcement by distraint.

## **Chapter 10      Commencement and transitional provisions**

### **Section 10-1 *Commencement***

This Act enters into force with effect from the date decided by the King. The King may put the various provisions into force at different times.

Act of 10 June 1988 No. 39 on Insurance Activity shall be repealed as from the commencement of this Act.

### **Section 10-2 *Transitional rules***

The ministry may make further transitional rules.

Regulations issued pursuant to Act of 10 June 1988 No. 39 on Insurance Activity shall apply until otherwise prescribed.

### **Section 10-3 *Amendments to other Acts***

The following amendments shall be made to other Acts as from the commencement of the present Act.