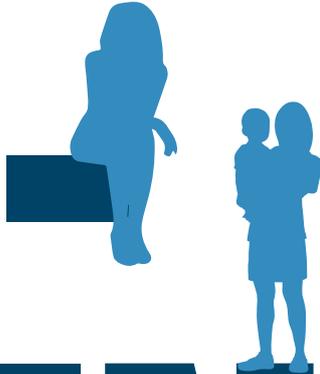


# SOCIAL AND – an overview COLLECTIVE INSURANCE IN SWEDEN

2023



# Social and collective insurance in Sweden - an overview

## A system that has evolved over more than 100 years

Sweden's system of public social and collectively agreed insurance schemes has evolved over a period of more than one hundred years. The public social insurance system is based on legislation and financed through contributions from employers and income tax from employees. The collectively agreed insurance schemes are based on agreements between the social partner organisations and are financed through premium payments made by the employers. This memorandum presents a concise and simplified view of the different sub-areas that make up Sweden's insurance system, how they are financed, and which benefits are available in ordinary income levels.

The Swedish labour market can be divided into three sectors: private, state, and municipalities and regions. Within the different sectors, there are 115 social partner organisations, 60 trade unions and 55 employer organisations. Together, they have signed around 670 collective agreements on wages and general employment conditions. Collective agreements on pension and insurance are usually signed by the central employer and employee organisations within the respective sector, such as the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO) (represents blue collar employees) and the Council for Negotiation and Cooperation (PTK) (represents white collar employees) for the private sector. There are a variety of actors who insure and administer these systems, offering complementary occupational pension and insurance solutions.

The individual's insurance coverage consists of several different benefits that complement each other. Sweden's public social insurance system provides basic protection for all. The collectively agreed insurances apply only to those covered by these collective agreements. Approximately 90 percent of all employees in Sweden are covered by collective agreements.

Employers who are affiliated with the Confederation of Swedish Enterprise through membership in an employers' organisation are usually required to take out collective insurance for their employees. The same applies to employers who have entered into a collective agreement directly with their employees' trade union. In this type of agreement, affiliated collective agreement, the employer undertakes to apply one or several national collective agreements without being a member of an employers' organisation. Employers without collective agreements are also able to take out insurance packages for their employees.

# Actors

Sweden's social insurance system is administered by the **Swedish Social Insurance Agency (Försäkringskassan)** and the **Swedish Pensions Agency (Pensionsmyndigheten)**.

Among the variety of actors in the area of collective agreement insurance, a few actors stand out, as they affect a large portion of the workforce in Sweden. **AFA Försäkring** is owned by the Confederation of Swedish Enterprise, LO and PTK. Today, close to five million people are covered by at least one insurance scheme with AFA (covering sickness, occupational injury, redundancy, death and parental leave).

There are a number of actors in the area of occupational pensions. One important actor is **Alecta**, which administers pensions for 33,000 companies and just over 2 million white collar workers on behalf of the Confederation of Swedish Enterprise and PTK. **AMF** was founded and is owned by LO and the Confederation of Swedish Enterprise and manages capital for approximately 4 million employees. Within the various occupational pension plans (e.g. ITP for white collar workers and Avtalspension SAF-LO for blue collar workers), individuals are also able to choose other procured pension managers to administer their occupational pensions.

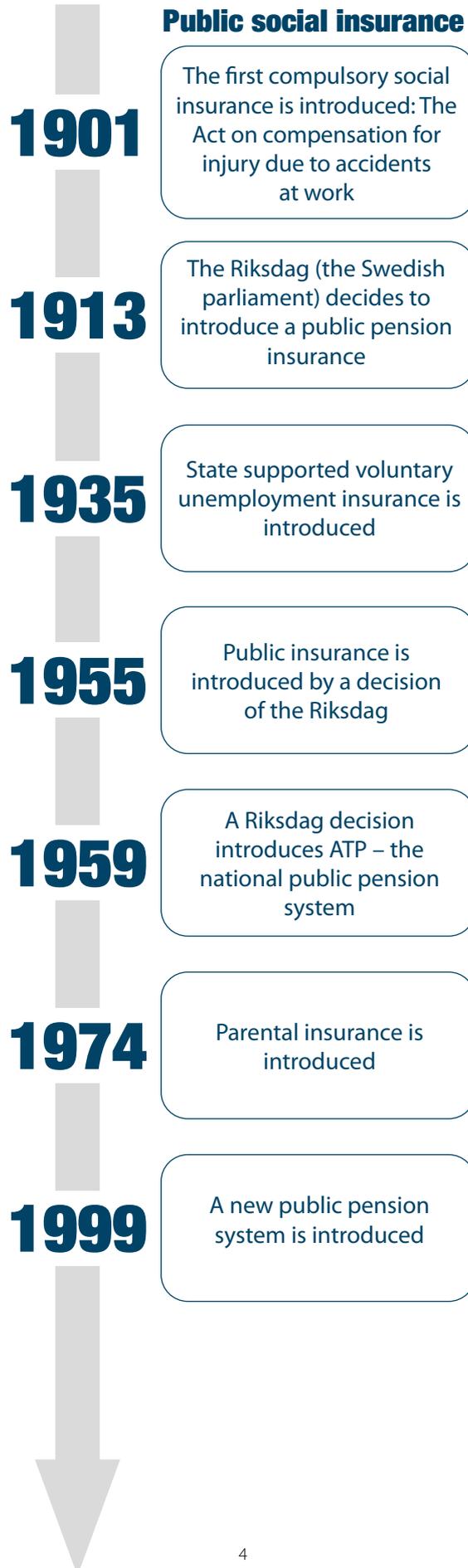
**Collectum** and **Fora** are two companies jointly owned by social partners that manage collective insurances and are pension administration companies for occupational pensions.

**Trygghetsfonden TSL** is part of the collectively agreed career transition insurance that, on behalf of the Confederation of Swedish Enterprise and LO, supports blue collar workers who have been dismissed due to redundancy or sickness. **TRR – Trygghetsrådet** supports employers, trade union representatives and white collar workers who have been affected by redundancy. TRR's principals are the Confederation of Swedish Enterprise and PTK.

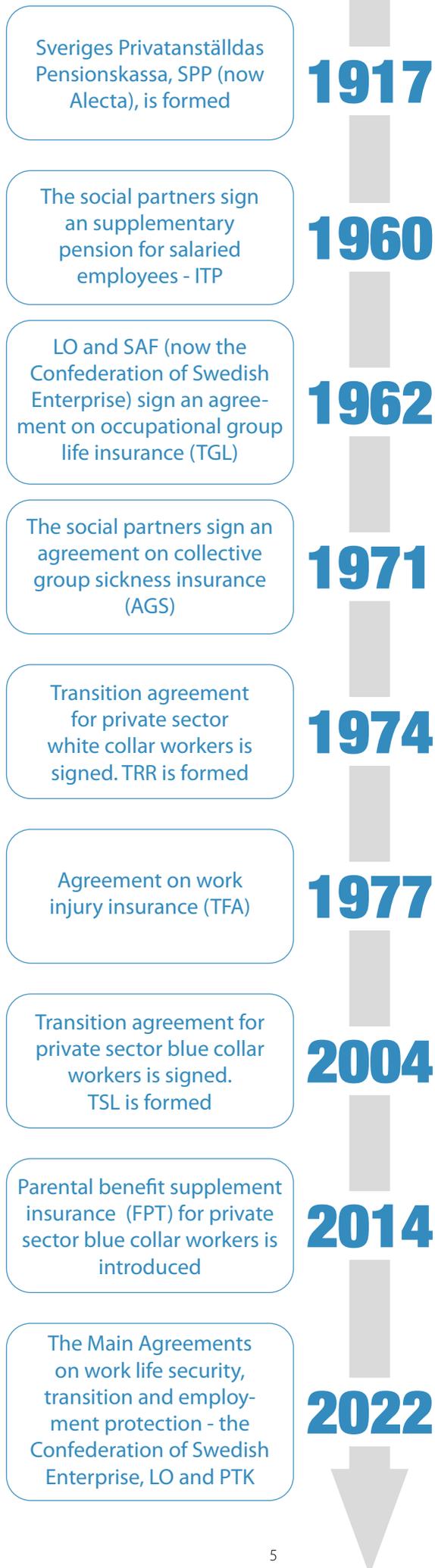
Life event ↓	Employment type →					
	Employed by municipality or region	Private sector blue collar employees	Private sector white collar employees	Cooperatively employed blue collar employees	Cooperatively employed white collar employees	Government employees
Sickness	AFA Försäkring (AGS-KL)	AFA Försäkring (AGS)	Alecta (ITP)	AFA Försäkring (AGS)	Folksam (KTP)	The National Government Employee Pensions Board (PA16)
Occupational injury	AFA Försäkring (TFA-KL)	AFA Försäkring (TFA)	AFA Försäkring (TFA)	AFA Försäkring (TFA)	AFA Försäkring (TFA)	AFA Försäkring (PSA)
Parental leave	Employer	AFA Försäkring (FPT)	Employer	AFA Försäkring (FPT)	Employer	Employer
Death	KPA Life (TGL-KL)	AFA Försäkring (TGL)	Nine selectable insurance companies (TGL)	Folksam (AGL)	Folksam (TGL)	The National Government Employee Pensions Board (TGL)
Dismissal due to redundancy	Omställningsfonden (Transition agreement KOM-KL)	AFA Försäkring (AGB) Trygghetsfonden TSL (transition support)	Trygghetsrådet (Transition agreement)	CIKO (Transition agreement KFO-LO)	TRS (Transition agreement)	Trygghetsfonden - TSL (Transition agreement)

Actors in collective insurance regarding sickness, occupational injury, redundancy, death and parental leave. Source: AFA Försäkring, TRS and Collectum.

# Development of the insurance system over a century – significant historic milestones



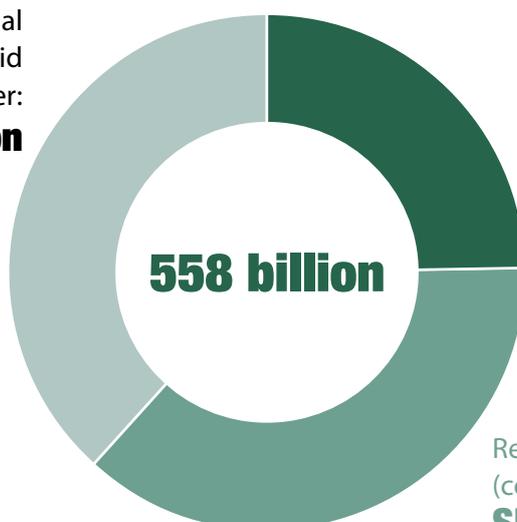
## Collectively agreed insurances



# The pension system

## Financing: SEK 558 billion per year

Premiums for occupational pension (life insurance) paid by employer:  
**SEK 213 billion**



Public pension contributions (Contributions paid by the employee):  
**SEK 138 billion**  
(7 % of gross salary – individual contribution)

Retirement pension contributions (contributions paid by the employer):  
**SEK 207 billion**  
(10.21 % of the salary – part of the employer's contribution)

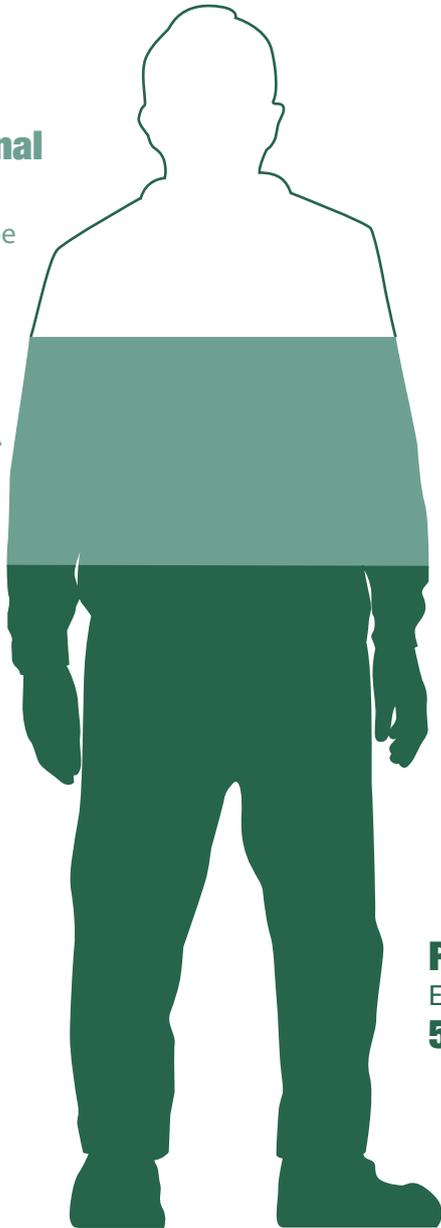
The public pension system aims to provide financial security in old age and is administered by the Swedish Pensions Agency. The parts that are financed through contributions by employers and employees are the income pension system and the premium pension system. The public pension contribution that all income earners pay is 7 percent of gross salary up to an income of 8.07 income base amounts\* (SEK 47,748 per month in 2022). In connection with annual taxation, a tax reduction is given for the public pension contribution. Employers pay a pension contribution of 10.21 percent of the employees' wages. The contribution is paid on the entire income, including income that exceeds the ceiling of SEK 47,748 per month. Income above this ceiling does not accrue pension. That portion of the pension contribution goes to the government budget and is considered a tax.

In addition, there are tax-funded allowances for retired persons. These are the guarantee pension, income pension complement, housing supplement for pensioners and financial support for the elderly. These allowances amounted to SEK 28 billion in 2021 according to the government budget for 2023.

\*The income base amount is an amount used to calculate pension fees. It follows wage growth in the country and is set by the Swedish government.

# The pension system

**Occupational pension:**  
Estimated to be  
**19 %**



**Public pension:**  
Estimated to be  
**54 %**

Both the public pension system and occupational pension insurances are currently defined contribution schemes. This means that the payments made into the systems during the individual's working life determine the level of the pension. For older employees, there are still defined benefit occupational pension systems, where the individual's salary at retirement age determines the size of the pension.

There are several ways to calculate the pension in relation to income from employment. The Swedish Pensions Agency expects that at the time of retirement, the compensation rate (the pension amount in relation to the income in the years before retirement) in the typical case for a person born in 1975 (according to the target retirement age) will be 54 percent in public pension. In this typical case, the total pension will be 73 percent, according to the Swedish Pensions Agency.

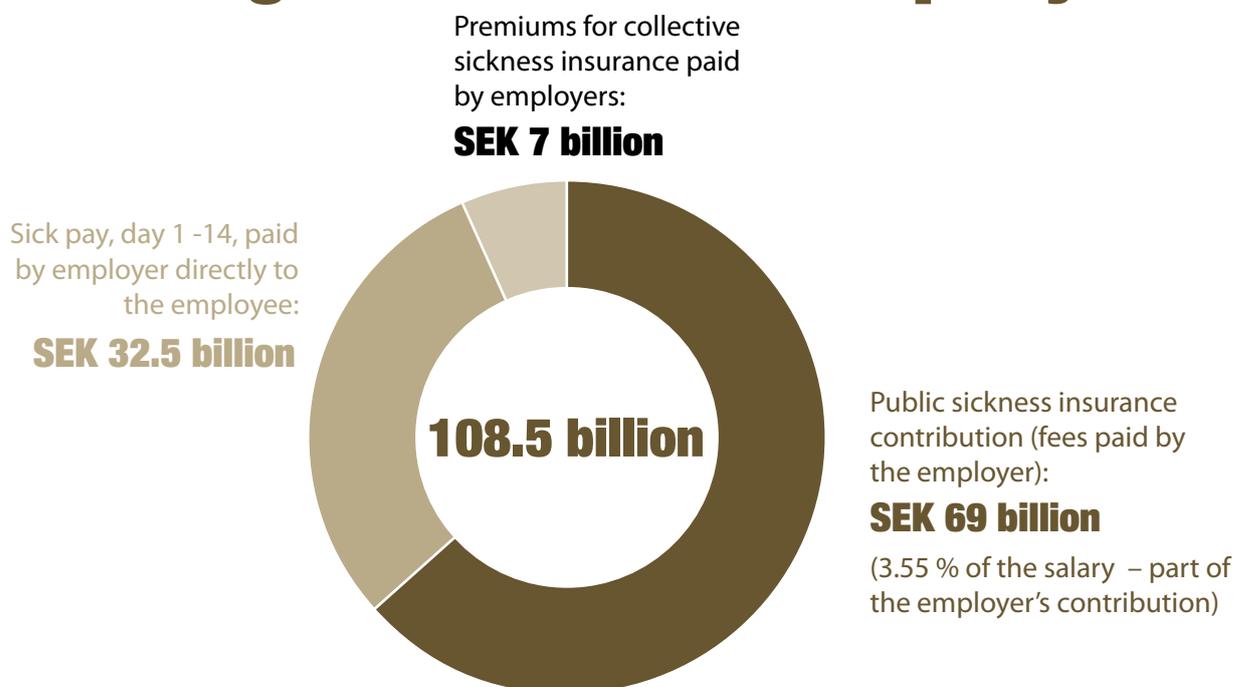
In addition to public pension and occupational pension, there are also various forms of private pension schemes.

According to figures from Insurance Sweden, in 2021, pension payments amounted to SEK 365 billion from the Swedish Pensions Agency, SEK 121 billion from occupational pensions and SEK 115 billion from private pensions.

*Example: A person born in 1975 who takes out pension according to the specified target retirement age can, in the typical case, expect to receive 54 percent of their salary in public pension and 19 percent in occupational pension, which amounts to a pension of 73 percent, according to the Swedish Pensions Agency.*

# Sickness

## Financing: SEK 108.5 billion per year



The purpose of sickness insurance is to provide financial security in the event of a reduced ability to work due to sickness. According to the Swedish Social Insurance Code, an insured individual is “entitled to sickness benefits in the event of sickness that reduces his or her ability to work by at least twenty-five percent”.

The public sickness insurance is administered by the Swedish Social Insurance Agency. The insurance is financed through the sickness insurance contribution, which is part of the employer’s contribution. The sickness insurance contribution finances sickness benefits, rehabilitation allowance, pregnancy benefits, benefit for the care of closely related persons, sickness or activity compensation (previously called early retirement).

The employer pays sick pay directly to the employee for the first 14 sick days, after a full qualifying deduction has been made. Part of the employer’s sick pay costs are compensated through “Compensation to employers for high sick pay costs”, administered by the Swedish Social Insurance Agency. During the COVID-19 pandemic, this compensation increased significantly through the support offered under special pandemic-related regulations, from just over SEK 1 billion in 2019 to just over SEK 14 billion in 2021.

Employers with collective agreements have supplementary sickness insurances for their employees. In the private sector, this coverage is called Collective group sickness insurance (Avtalsgruppsjukförsäkring – AGS) for blue collar workers and ITP sickness insurance (ITP sjukpension) for white collar workers. These collective insurance schemes, which supplement the public sickness insurance, are based on collective agreements, and are provided by insurance companies (e.g. AFA Försäkring and Alecta) and financed through premiums paid by the employer.

In addition, the employer may also pay collectively agreed compensation in the event of absence due to sickness directly to the employee.

# Sickness

**Collective group sickness insurance: 10 %**



**Sickness benefits: 77.6 %**

## Benefits

In the event of sickness, the employee receives compensation from various sources. The employer pays sick pay and the Swedish Social Insurance Agency pays sickness benefit and sickness compensation. The collectively agreed insurance schemes offer employees supplementary compensation. Employees may also have private sickness insurances.

The compensation due to sickness differs somewhat between the different sectors of the labour market. For incomes below 10 price base amounts\*, the differences are small. During the first 14 days, all workers receive sick pay corresponding to 80 percent of their salary, which is paid by the employer directly to the employee after a qualifying deduction. Normally, the compensation rate on day 15–360 is around 87.5 percent in total, with some variation depending on sector and collective agreement. Thereafter, the compensation rate drops to 72.75 percent of the monthly salary.

The public sickness benefit is paid by the Swedish Social Insurance Agency. Supplementary compensation under collective insurance schemes is paid by the insurance company that administers the insurance (e.g. AFA Försäkring and Alecta). It also occurs that supplementary compensation under collective agreements is paid directly by the employer.

## Payments in 2021

In 2021, payments of sickness benefits from the Swedish Social Insurance Agency amounted to SEK 42.6 billion and payments of sickness compensation (early retirement) amounted to SEK 40.7 billion. Employers paid SEK 32.5 billion in sick pay to employees for sick day 2–14. AFA Försäkring paid SEK 9.7 billion in supplementary compensation for sickness and Alecta paid SEK 1.3 billion.

*Example: An employee with a monthly salary of SEK 29,000 who is covered by a collective group sickness insurance, sickness days 15–360.*

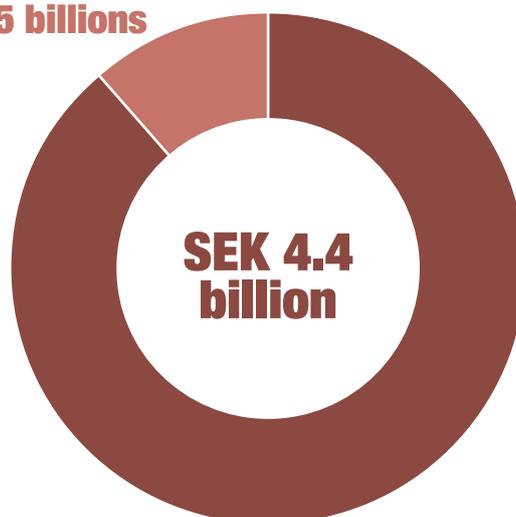
*\*The price base amount is used when calculating different types of benefits. It follows the price development in the country and is set by the Swedish government.*

# Occupational injury

## Financing: SEK 4.4 billion per year

Premiums for collective  
work injury insurance (TFA)  
paid by employers:

**SEK 0.5 billions**



Public occupational injury  
insurance contribution (fees  
paid by the employer):

**SEK 3.9 billion**

(0.3 % of salary – part of the  
employer's contribution)

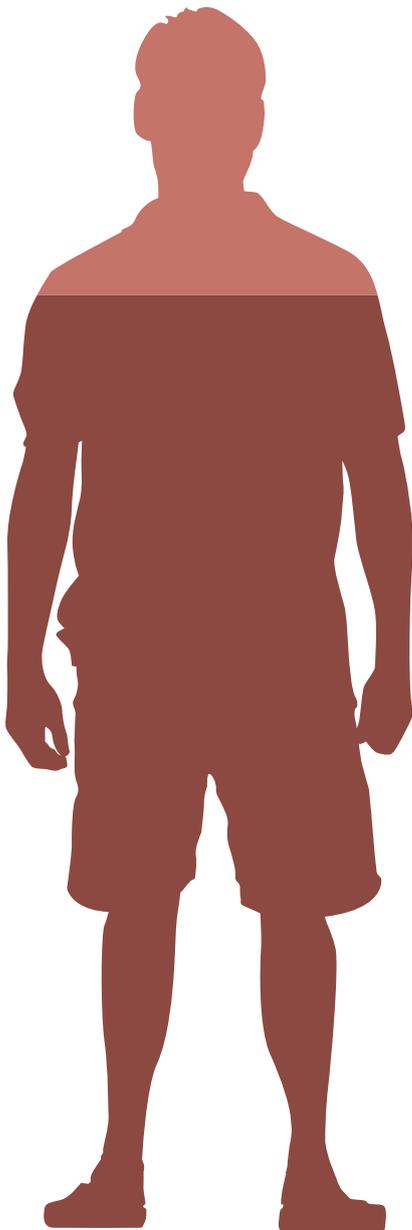
The purpose of occupational injury insurance is to provide financial security in the event of a reduced ability to work due to a work-related injury.

The public occupational injury insurance scheme is administered by the Swedish Social Insurance Agency and covers all employees. The system is financed through the occupational injury insurance contribution, which is part of the employer's contribution. Work injury insurance (TFA) is a collective insurance, administered by AFA Försäkring and financed through premiums paid by the employer.

# Occupational injury

## Benefits

### **Work injury insurance (TFA): 23.5%**



In the event of reduced ability to work, injured workers are entitled to compensation from the public occupational injury insurance in the form of an annuity, which can be granted when the injury results in a permanent loss of income or loss of income for at least one year. The annuity compensates for future loss of income, resulting from an occupational injury up to 100 percent; however losses are only compensated up to a maximum of 7.5 price base amounts.

Work injury insurance (TFA) provides compensation for costs in connection with an occupational injury. TFA provides non-pecuniary compensation, mainly according to the rules of tort law. This means that employees can also receive compensation for pain and suffering and - in the case of invalidity - disability and disfigurement, and at loss of function. In the case of more severe injuries, compensation is sometimes also provided for certain inconveniences. In the event of a workplace accident that results in absence, income compensation can be paid from the first day.

An individual can also take out and pay for a supplementary accident insurance with an insurance company.

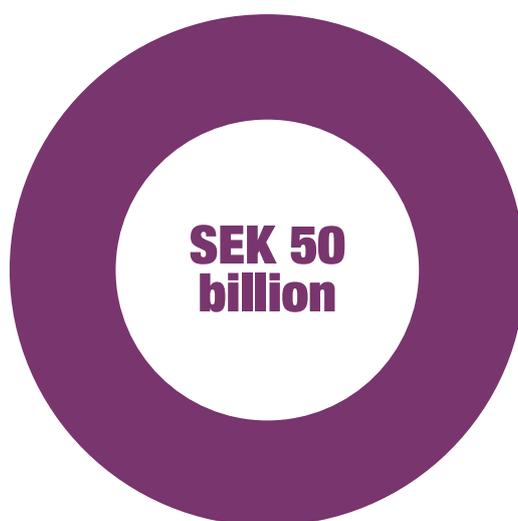
In 2021, payments made by the Swedish Social Insurance Agency due to occupational injuries amounted to SEK 2.4 billion. AFA Försäkring paid SEK 2.9 billion in supplementary compensation for occupational injuries.

### **Occupational injury annuity: 76.5 %**

*Example: Anyone who is injured in the workplace can receive compensation from the public occupational injury insurance, which is paid by the Swedish Social Insurance Agency. Work injury insurance (TFA) can provide employees with various forms of compensation; in case of sick leave, the employee can receive compensation for loss of income.*

# Parental insurance

## Financing: SEK 50 billion per year



Parental insurance contribution  
(fees paid by the employer)

**SEK 50 billion**

(2.60 % of salary – part of the  
employer's contribution)

*Supplementary parental benefits under collective agreements are usually paid directly by the employer to the employee, the total cost for this is not known. There is a collectively agreed Parental benefit supplement insurance (FPT) for private sector blue collar workers. Premiums for this insurance are currently zero, as the payments are covered by premiums employers have already paid to AFA Försäkring, which have provided good consolidation (surplus) in AFA.*

Parental insurance is intended to make it easier for parents to combine parenthood with working life or studies.

Public parental insurance is financed through the parental insurance contribution, which is part of the employer's contribution and administered by the Swedish Social Insurance Agency. The parental insurance contribution finances parental benefit, temporary parental benefit and pregnancy benefit.

A supplementary parental benefit/parental salary under collective agreements is usually paid directly by the employer to the employee. Blue collar workers in the private sector are paid parental benefit supplements according to a collectively agreed insurance (FPT) scheme that is administered by AFA Försäkring.

# Benefits during parental leave

**Collective insurance - Parental benefit supplement: 10 %**



## Benefits

The public parental benefit amounts to approximately 77 percent of the income for just over a year, when the parental benefit is taken seven days a week, at a salary of up to 10 price base amounts.

Parental benefit supplements under collective agreements that are paid directly from the employer to the employee can vary in terms of the level of compensation and duration. Employers sometimes also pay retirement pension premiums during the parental leave. The collectively agreed insurance for the parental benefit supplement (FPT) for private sector blue collar workers is administered by Fora and insured in AFA Försäkring. FPT can be paid for a maximum of 180 calendar days per birth or adoption. The compensation is 10 percent of the salary up to 10 price base amounts and 90 percent of the salary above that amount.

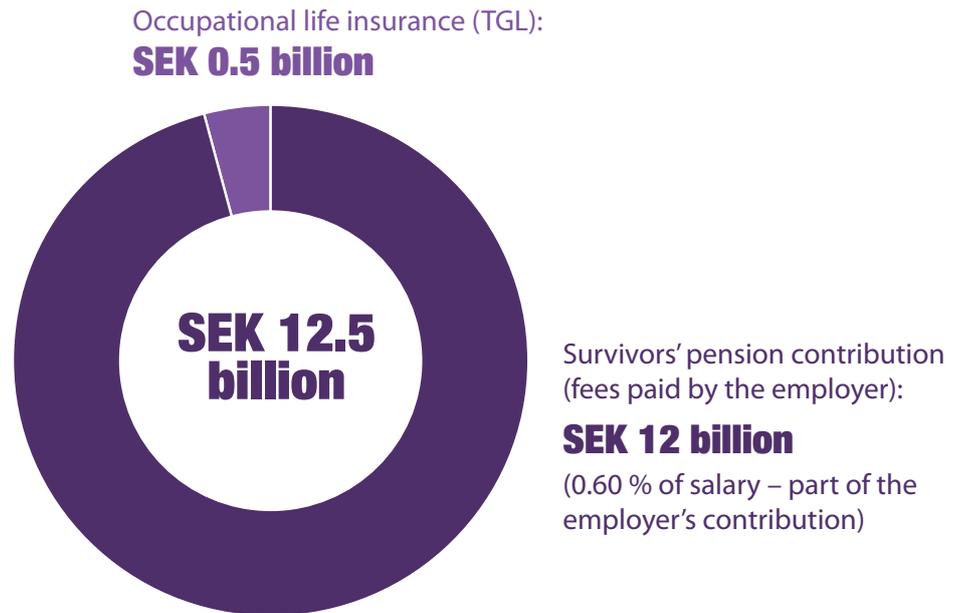
In 2021, payments of parental insurance benefits from the Swedish Social Insurance Agency amounted to SEK 45 billion.

**Parental insurance: 77 %**

*Example: An employee with a monthly salary of SEK 29,000 who is covered by a collective agreement with parental benefit supplement.*

# Life insurance

## Financing: SEK 12.5 billion per year



The survivors' pension is part of the public pension system. Survivors can receive a survivors' pension as financial support. For a certain period, this support aims to cover part of the livelihood contributions made by the deceased.

The public survivors' pension is partly financed through the employer's contribution. The Swedish Pensions Agency is responsible for payment of the survivor's pension which consists of an adjustment pension, a childrens' pension and a widows' pension.

Employers covered by collective agreements pay for life insurance for their employees. In the private sector, there is occupational life insurance (TGL). Employees can also add different survivors' coverage through their occupational pensions.

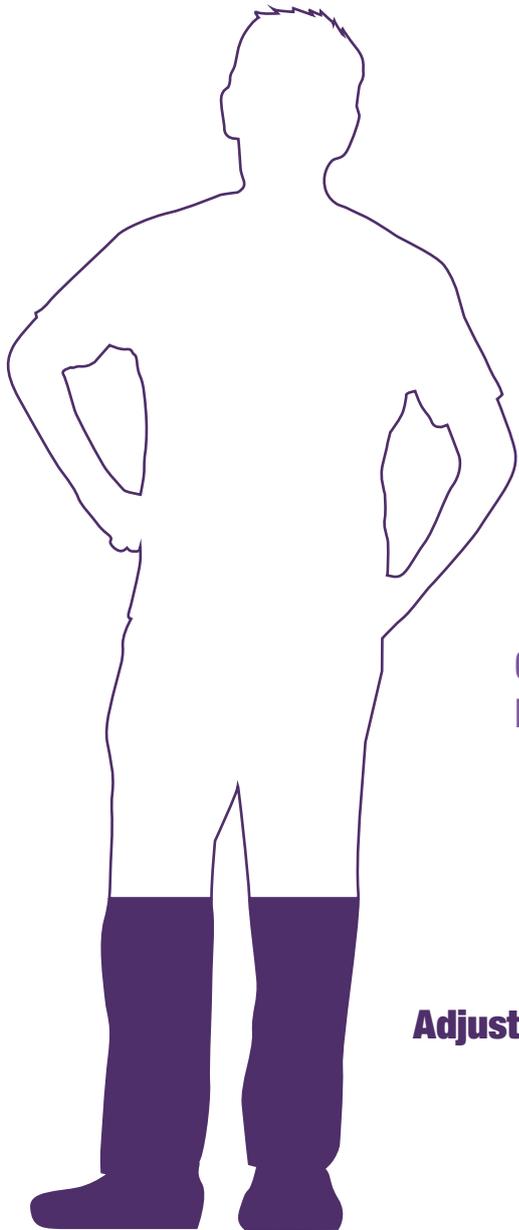
# In the event of death

## Benefits

When under the age of 65 and a spouse passes away, one can receive a public adjustment pension as financial support for up to one year. Compensation can amount to 55 percent of the deceased's assumed income pension. The assumed public income pension includes the amount the deceased earned up to the time of death, as well as the pension that would have been earned from the time of death until the age of 65. If the survivor has custody of children, an extended public adjustment pension can be paid.

In the event of death, compensation from occupational life insurance is paid in a lump sum, regardless of whether death occurred during working time or not. The amount is determined based on the age of the deceased and the employment rate. The maximum amount is SEK 290,000. For minors, an additional amount is paid.

An individual can also take out and pay for private supplementary survivors' insurance with an insurance company.



**Occupational life insurance (TGL):  
Lump sum of up to SEK 290,000**

**Adjustment pension: 27 %**

*Example: A public adjustment pension can be paid for up to one year and corresponds to 55 percent of the assumed income pension, which can amount to approximately 50 percent of the previous income. Occupational life insurance is paid in a lump sum of up to SEK 290,000, depending on age and other factors.*

# Career transition

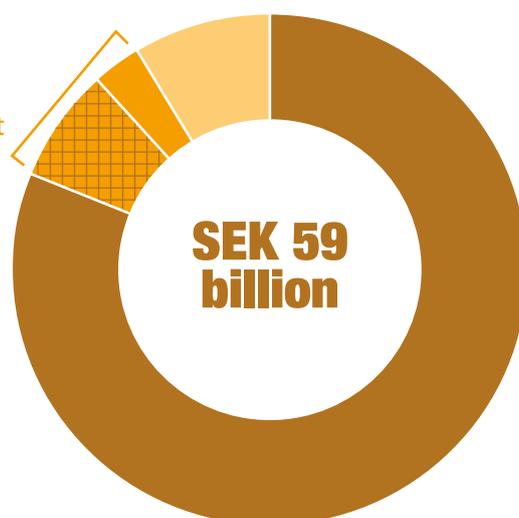
## Financing: SEK 59 billion per year

Membership fees for unemployment insurance funds: **approx. SEK 6 billion**

(of which unemployment insurance funds contribute to finance public unemployment benefit with):

**SEK 4.2 billion**

Employer's contributions for transition: **approx. SEK 5 billion**



Statutory labour market contribution (fees paid by the employer):

**SEK 48 billion**

(2.64 % of salary – part of the employer's contribution)

There are 24 unemployment insurance funds, which together have approximately 3.9 million members. Unemployment benefit for the unemployed, which is mostly financed through employer contributions, are administered by these unemployment insurance funds.

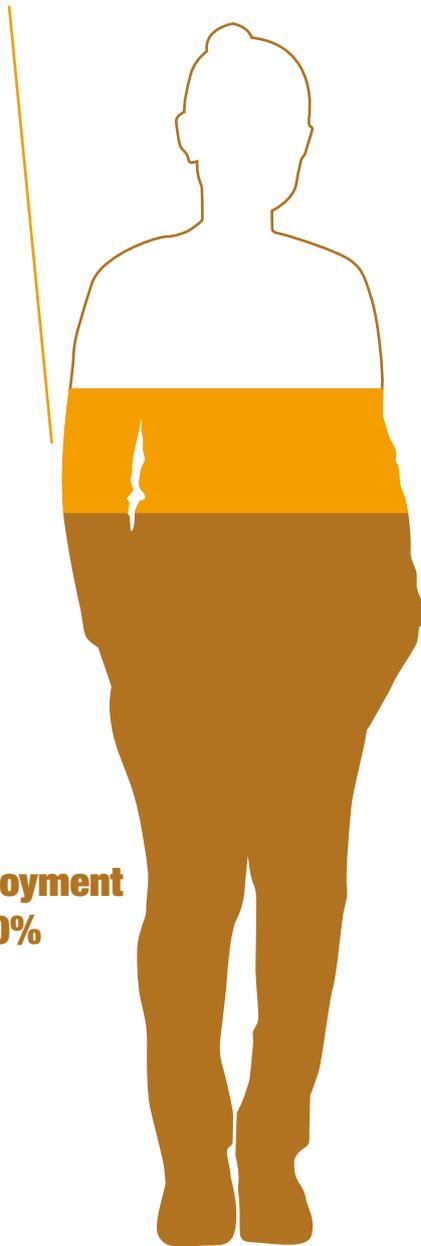
The unemployment benefit is financed partly through the labour market contribution, which is a part of the employer's contribution, and partly by a fee that the unemployment insurance funds pay to the state. In turn, the members of the unemployment insurance funds pay membership fees that cover the fee these funds pay to the state and the funds' administrative costs.

The collective insurances that supplement the unemployment benefits are based on the social partners' agreements on transition, which are administered by transition organisations and insurance companies. The agreements on transition provide employees with active support in the transition process. Transition is financed by employers and the fee is based on the total salary. According to the Main Agreement on work life security, transition and employment protection between the Confederation of Swedish Enterprise and PTK, the contribution is 0.55 percent, and according to the Main Agreement on work life security, transition and employment protection between the Confederation of Swedish Enterprise and LO, the contribution is 0.49 percent. The employer is compensated by the state with 0.15 percent.

# Career transition

## Benefits

**Collective supplementary unemployment benefit (“A-kasseutfyllnad”): 10%**



**Unemployment fund: 60%**

Income-related unemployment benefits are available to those who have been a member of an unemployment insurance fund for at least one year and fulfilled work qualification conditions during that membership period. To be entitled to this compensation, employees must be able to work and not be prevented to take a suitable employment and be registered as a job seeker with the Swedish Public Employment Service.

Unemployment benefits provide compensation of up to 80 percent of the previous income for the first 200 benefit days. The compensation level after day 200 is 70 percent. There is also a benefit ceiling, which means that benefits can be a maximum of SEK 1,200 per day during the first 100 days and SEK 1,000 per day for the remaining days. For employees who are not members of an unemployment insurance fund or who do not meet the membership requirements, there is public basic unemployment insurance, which provides up to roughly SEK 11,200 a month.

The purpose of supplementary collectively agreed transition insurance is to facilitate readjustment for both employees and employers when redundancy occurs. The agreements can include both active transition support and severance compensation.

Compensation from collectively agreed transition varies between various sectors. The guideline used for private sector white collar workers is to provide an income level, including compensation from the unemployment insurance fund, of 70 percent of the previous salary to workers who meet the criteria for the insurance. Severance compensation at that level is paid for up to 130 Days. For private sector blue collar workers, a lump sum is paid which varies depending on age, for example, the maximum amount is just over SEK 50,000 for those who are 60 years or older.

Active transition support means that the employee is offered counselling and other support to facilitate the transition to a new job, to start a business or to start an education programme.

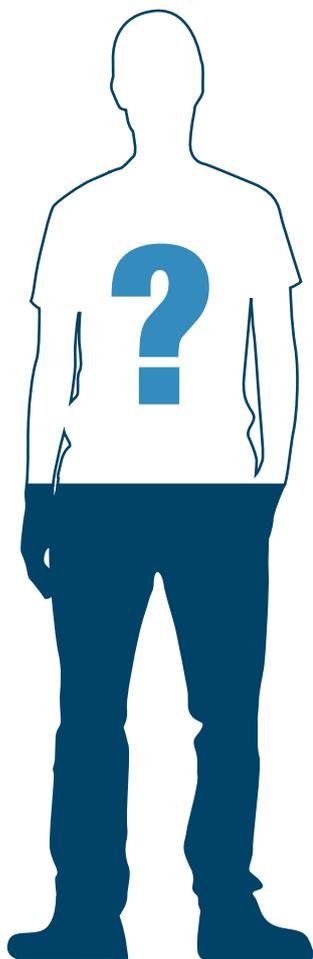
In addition to the publicly funded unemployment benefits and collectively agreed severance compensation, there is also private income insurance that some trade unions provide to their members.

*Example: A private sector white collar worker who is a member of an unemployment insurance fund and is covered by the TRR transition agreement and has had a monthly salary of SEK 35,000.*

# A new system for career transition and study grants

The Confederation of Swedish Enterprise, LO and PTK have reached main agreements on work life security, transition and employment protection. The Riksdag has also passed a bill on a reformed labour law, as well as state-funded basic transition and skills support and state-funded public transitional study support. The Main Agreements on work life security, transition and employment protection and laws came into force on October 1st, 2022. The new public student support scheme is administered by the Swedish Board of Student Finance (CSN) and provides opportunities for both individuals whose employment has been terminated and employees who have ongoing employment to enrol in a study programme and develop their skills, in order to strengthen their position on the future labour market. Public transitional study support can be granted for a maximum of two semesters of full-time studies, for education programmes that start on January 1st, 2023 at the earliest. In addition - according to the Main Agreements - both individuals whose employment has been terminated and individuals in ongoing employment can receive counselling and guidance to find new employment or strengthen their future position in the labour market. The Main Agreements also includes a short duration collectively agreed study grant for shorter education programmes and an additional collectively agreed study grant that supplements the state-funded public transitional study support. It is also possible to have the tuition for an education programme financed through the Main Agreements. The benefits provided under the Main Agreements are administered by the collective agreement foundations TRR Trygghetsrådet for white collar workers and Trygghetsfonden TSL for blue collar workers.

## Challenges ahead for the social insurance system



### Changes in working life

Approximately 90 percent of all employees in Sweden are currently covered by collective agreements. However, there are factors that may contribute to more people being without collective insurance coverage in the future.

Digitalisation and the emergence of new technologies are contributing to a structural transformation that replaces jobs. The Swedish Reform Institute has calculated that one in two Swedes currently performs a job that will not exist in 20 years.

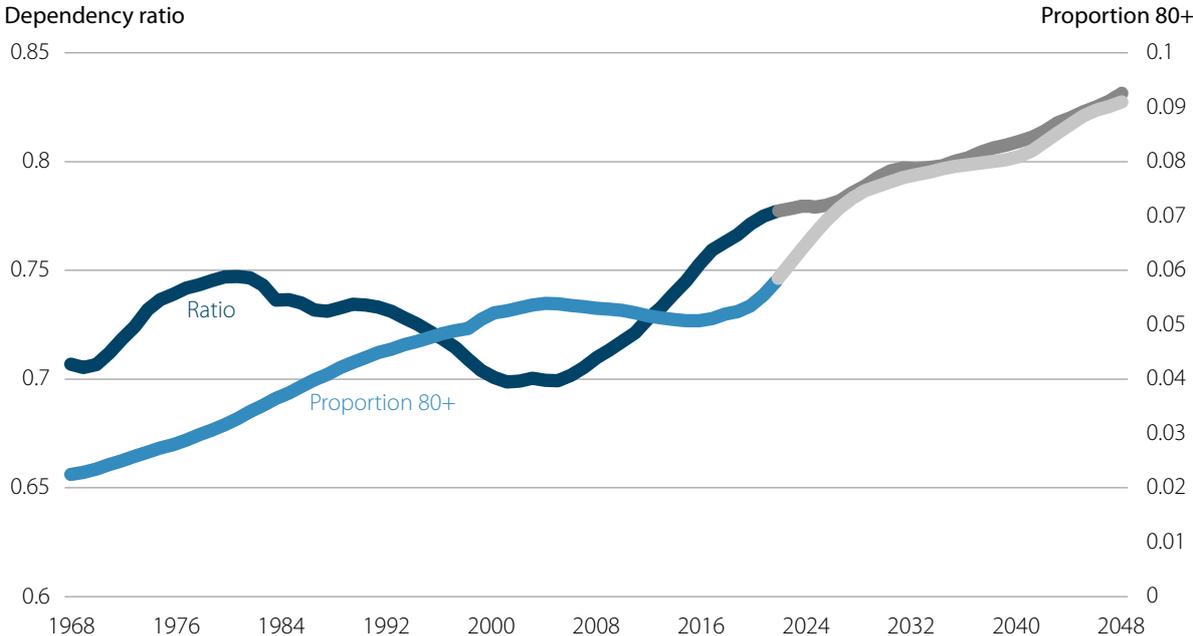
Some new jobs that are emerging, for example platform jobs, are based on contractual relationships other than employment relationships. In these cases, it may be up to the individual to take out the insurance required for an adequate insurance coverage.

# Changing demographics

Sweden's population is growing at a rapid pace. The age groups that are increasing the most are the groups that also have the greatest need for welfare services: children, young people and the elderly. However, according to Statistics Sweden's projections, the working age population is not increasing at the same rate.

The below graph illustrates the dependency ratio, which is defined as the number of people aged 19 and under and 65 and over in relation to people aged 20–64. The figure also shows the proportion of the population aged 80 and over. As also illustrated, the dependency ratio and the proportion of people aged 80 and over are expected to steadily increase. The current dependency ratio of about 0.77 is expected to increase to 0.83 in 2048. To simplify, this means that 100 working age people today are expected to support 77 younger and older people; in 2048, the same number of working people will be expected to support 83 younger and older people. This implies that the financing burden for each gainfully employed individual will increase by 8 percent. The demographic trends are putting pressure on the country's ability to finance the social insurance system.

## Proportion of young people and elderly over 65 in relation to 20-64-year-olds (dependency ratio) and the proportion of people over 80



Source: Statistics Sweden, Population projection