

Private insurance in the Nordic welfare society – building resilience over time

The Nordics are characterised as Mature Welfare Societies

The Nordic countries - Iceland, Norway, Finland, Sweden, and Denmark - are known as mature welfare societies, with comprehensive public solutions for health, healthcare, pensions, unemployment, and occupational injury, complemented by private insurance. Some have public schemes also for handling natural perils, while others trust private insurance sector solutions. These welfare states have developed over time, with the systems maturing with reforms securing their sustainability into the 21st century.

The upcoming EU ambition to address protection gaps could potentially disrupt the balance between public and private insurance that has evolved over the last fifty years in the Nordics.

The internal market for private insurance in the EU is well-established, and any new legislation must cater to the existence of a balance between public and private insurance. The EU's "one-size-fits-all" approach to legislation may not be suitable for all member states, particularly those with a robust welfare state like the Nordics.

Addressing the Pension Protection Gap

The national social security systems are the purview of the member states. The EU Charter Of Fundamental Rights recognises the role of national laws and practices in shaping social security systems.¹ In addition, EU regulates the coordination of Member states' social security schemes for people who move in different EU countries for work.

While many countries in Europe are grappling with substantial pension gaps, the Nordic countries have already reformed their pensions systems to make them sustainable when the population is ageing, and career paths become more fragmented and dynamic. The political processes driving these changes have been thorough and consistent over many years or decades and are closely interlinked with the fabric of society in the individual Nordic state, including social partners, tax systems and general labour market rules and regulations.

The private pension providers in the Nordics share the view that there is a need for individual pensions savings to complement the state and occupational pensions. This third pillar pension is the part that is best suited to be strengthened at the level of the internal market, as it is the part that is the least interlinked. In this respect, it is of paramount importance for the Nordics that EU-regulation primarily focuses on individual pensions and not on the collective schemes.

Therefore, the impact of Europe's demographic challenge on longevity economics should first and foremost be addressed on a state-by-state basis in the building of first pillar pensions. Social partners should be encouraged to strengthen occupational pension provision, and a third pillar should be given

¹ [Article 34 of the Charter of fundamental rights affirms respect for the entitlement to social security benefits and social services providing protection.](#)

tax incentives in all member states. The design of the multi-pillar system is key. To be successful, pension pillars must be mutually reinforcing and have clear roles and objectives (e.g., poverty prevention, income replacement).

To know on an individual basis that you are protected is a central part of the robustness in a society. Easily accessible, individually crafted information plays a central part in realising safety for our citizens. The Nordic countries have therefore developed pension dash boards where individuals can keep track of their individual pension rights and calculate how they should plan their retirement. Again, the Nordics have been able to inspire the EU commission on good tools to increase robustness. We only ask that what has already been established is not negatively impacted as the EU commission pushes forward for general solutions.

Addressing Climate-Related Catastrophes

Extreme weather and climate events can have significant macroeconomic implications. While the economic impact of such events in Europe has been manageable historically, it is expected to rise over time as catastrophes become more frequent and more severe due to global warming. Catastrophe insurance is a key tool to mitigate macroeconomic losses following extreme climate-related events, as it provides prompt funding for reconstruction and should incentivise risk reduction and adaptation.

However, only about a quarter of climate-related catastrophe losses are currently insured in the EU. This insurance protection gap could widen in the medium to long term as a result of climate change, partly because repricing of insurance contracts in response to increasingly frequent and intense events may lead to such insurance becoming unaffordable.

The Nordics have different measures in place to increase resilience when it comes to the handling of climate risks. It should be noted that the nature of natural perils varies between different geographies. This is true, also within the Nordic region. This is why the protection against natural perils must be constructed to answer to the actual issues that arise in the individual region. Pooling of these risks can be handled through reinsurance schemes.

When addressing this the EU institutions should recognise that some countries already have solutions that address these growing risks, solutions that have been in place for a long time and are being made sustainable through step-by-step reform. These solutions are built to limit the impact of climate-related catastrophes both in terms of macroeconomic risks and in terms of fiscal spending to cover uninsured losses.

Conclusion

The insurance companies in the Nordic region have worked hard to contribute to the robustness and sustainability of our societies. We are eager to continue working towards this end together with our European neighbours as the challenges develop and change. The insight that the social security system is the member states national domain should be taken into consideration going forward: i.e. “one size fits all” is not always the right solution to all challenges. New solutions and suggestions must respect the well-functioning systems that are in place in the Nordics, that cater to the issues the EU institutions clearly want to address going forward.