The Nordic countries, often referred to under the collective name of Scandinavia, consist of Denmark, Finland, Iceland, Norway and Sweden. Situated in the very north of Europe, they are bound together not only by a cold climate, but also by common traditions and culture established during a period when the population was much smaller. Originally, the languages — apart from Finnish — were more alike and the distances between the nations seemed to be shorter than nowadays.

Until the middle of the 19th century, these countries derived most of their livelihood from agriculture and fishing. Trade and industry placed greater demands on the economy and personal responsibilities and so, mainly by German influence, life assurance was introduced. The idea came from Denmark and in 1855 the first life assurance company — Skandia — was founded in Sweden.

Mainly large policies were in demand during the company's first decades in operation, and it was natural to minimize the risk through scrutinising the applicants by a medical examination before underwriting. The role of the medical officer was consequently of central importance in life underwriting already at a very early stage. With time some of the policies were accepted without a medical examination, but only on the basis of a waiting time of 2 - 3 years.

With the general improvement in social conditions and increased possibilities for medical treatment seen towards the turn of the century, life expectancy was prolonged. Life assurance was also asked for by ordinary people and the extent of the individual sums insured decreased.

"Public insurance" made the life assurance industry grow and it was necessary to simplify underwriting procedures. Even so, because of the volume of the business, it was possible to adopt a lenient attitude in underwriting, especially for lower risk sums.

The last decade of the 19th century saw the establishment of a number of life assurance companies in the Scandinavian countries. Most of them were mutual. Sickness insurance was introduced early in the new century and later on pension insurance.

During the 100 years following the start of life assurance in Sweden, the total volume of premiums increased from SEK 40,000 (1 Swedish krona - 0.15 US$ in December 1989) to million SEK 1,000. During the same period, postage has increased only from 0.12 to 0.25 kr!

The number of life assurance companies in Sweden reached a total of 25 around 1920, after which the number has decreased due to mergers.

However, as the number of life assurance companies increased in Scandinavia, there was a growing need for cooperation which resulted in the establishment of life insurance congresses in Stockholm in 1885, in Kristiania (Oslo) in 1893 and in Copenhagen in 1904. In Sweden an association of life assurance companies was founded in 1906 and three years later the Swedish Association of Medical Officers of Life Insurance Medicine was founded.

At present, there are 18 life assurance companies operating in Sweden. The total volume of premiums (1988) is million SEK 37,000. Since the 1950’s there have been many mergers of small companies and also a tendency to broaden the market within the Nordic countries.

Present conditions

In Scandinavia health services have for a long time to a great extent been provided by the community. In Sweden obligatory national medical insurance was introduced in 1955; this covered treatment in general hospitals, visit at the doctor’s office, as well as sick leave. General old age pension is also on the programme for social security. Above that there is capacity for additional insurance to cover special needs in these respects. Casualty and sickness insurance, pension plans and various forms of bonus schemes have even expanded during the recent years in line with the growing interest in medical services.

As mentioned above, the role of the medical officer was central in the beginning of the development of life assurance activities. Only a few of the applicants were insured without a medical examination. However, with the increasing number of policies and the growing demand for “small sum insurance”, this situation was changed. The risk evaluation was increasingly taken over by clerks in cooperation with the medical officer.

In 1914 a reinsurance company was founded by all Swedish life assurance companies as share-holders. This company — the Aterforsakringsaktie bolaget Sverige — served as advisor to the companies in matters concerning high risk applicants. In 1945 this company published a life assurance manual intended to be used by the companies on the Swedish market. Apart from reflecting the opinion of the Aterforsakringsaktie bolaget Sverige, the manual reflects the opinion of the board of medical officers which consists of doctors representing the
direct life assurance companies. Accordingly, life assurance underwriting in Sweden is very much standardised and a similar system is used in the other Scandinavian countries.

Life underwriting in Scandinavia is performed by the direct companies' risk evaluation staff including the medical officer, who is usually employed part time. A few of the larger companies have several offices throughout the country and have several M.D.'s involved. The underwriting policy in these companies is monitored by a Chief Medical Officer (part time).

High-risk sums or sub-standard cases above a certain amount have hitherto been referred to the Aterforsakringsaktiebolaget Sverige's underwriting board for risk assessment. The Board cooperated with specialists in various fields of medicine — oncologists, cardiologists, pediatricians etc. — for qualified judgement. There is, however, an ongoing change as the conditions in the Nordic countries are very similar, the Scandinavian market differs a lot from the rest of the world where the competition in life business are restricted by law and are to a large extent returned to the policyholders in the form of increased value of the insurance sum.

Reliable information concerning the applicant is fundamental for life underwriting. For most of the small sum policies (i.e., a total risk sum of 10,000 - 100,000 US$ depending on age), a self declaration is sufficient, provided no medical impairments are presented. Should a medical examination be necessary, this can be performed by any physician up to a total risk sum of US$ 700,000. Above this amount, the examination has to be performed by a specialist in internal medicine, cardiology or equivalent. An APS and for persons above 45 years of age an EKG, is also required. For large total risks (US$ 3 million) even more tests are necessary. An HIV test is required for applicants with a risk sum of about US$ 250,000.

The facilities for medical examinations and tests are quite good in Scandinavia in consequence of a well developed medical care system. In some rural areas where doctors are scarce, the facilities may be somewhat less favourable than in the cities. Paramedics are not accepted as examiners.

The medical officers of the life assurance companies are mostly recruited from amongst specialists in internal medicine who hold posts at teaching hospitals or equivalent. There is no formal education in insurance medicine; for this purpose, the doctors from the respective insurance companies are encouraged to attend various forms of meetings and seminars on insurance medicine and related subjects. The Swedish Association for Insurance Medicine arranges annual meetings, which cover educational aspects. The International Congress of Life Insurance Medicine held every third year also provides an important opportunity for training and inter-collegial contacts.

International comparisons

In comparison with the populations of the USA, the population of the Nordic countries of around 20 million people is rather limited. Yet the life insurance business bears many similarities, due inter alia to the influence that the American and the British life insurance activities have had on Scandinavia.

As mentioned before, a majority of the life assurance companies in Scandinavia are mutual and the profitability of life assurance business is restricted by law. There are, however, changes going on. Mutual companies are being restructured into limited companies mostly as a result of changing tax laws. The system of brokers which has previously not been used in Scandinavia, is becoming more common on the marketing side.

The limited number of life reassurance companies unidirects underwriting policy. Even in this respect, there is an anticipated change in accordance with a broadening of the European market.

New insurance products which already exist in other countries, for example unit-linked plans, are being introduced in Sweden following an increased interest in the stock market. The "dread disease" insurance has not yet reached Scandinavia, but may soon be asked for.

The USA differs a lot from the rest of the Western world in one respect, and that is concerning AIDS. There is no doubt that this threat to mankind has also shaken the life assurance industry. European companies which had lagged behind in the development of this epidemic have however taken precautionary measures to meet this threat. In Scandinavia the disease is at present well controlled and the life assurance companies together with many of the European companies are carefully monitoring developments.

Forecasts for the life assurance industry in Scandinavia within the near future indicate developments along the lines of those in the rest of the world. This also includes broader international cooperation and the sharing of new experiences. In educating themselves and their fellow co-workers in the life assurance companies, the medical officers form an extremely important part of this development. Knowledge of, and research in, the field of insurance medicine is the key to this process.