respect to benefit rights that accrued during a short period preceding the adjudication of bankruptcy.

FPG makes credit insurance available only to joint-stock companies and economic associations (roughly equivalent to corporations) and only to such enterprises that have been in business for at least 3 years and employ a minimum of five salaried workers. Since there is an average of three and one-half manual workers for each salaried employee, the general effect of this stipulation is to limit the coverage to firms employing a minimum of 20 persons. Applications are carefully screened since the insurance is written for a 5-year term and if not renewed remains in effect for a systematically declining amount of pension liability for an additional 15 years (the time given the employer to convert his pay-as-you-go scheme to a fully insured arrangement). The financial position, economic prospects, and quality of management of the firm are carefully considered, the risk appraisal being at least as rigorous as the standards applied by banks in making long-term loans. Firms that cannot qualify for credit insurance, either because they are too small or too unstable, must purchase the required benefits from the pension insurance company (SPP).

FPG charges a risk premium of three-tenths of 1 percent of the accrued pension liability, plus a nominal loading for administrative expenses. It has the authority, not invoked as yet, to levy cumulative assessments of up to 3 percent of the accrued pension liability over successive 5-year periods. This annual premium rate was adopted after a study of bankruptcies occurring among Swedish corporate enterprises during the period 1929–58.[17] The investigation proceeded on the assumption that the present scheme of supplementary pension benefits had been inaugurated on January 1, 1929. The aim was to discover the amount of moneys that would have had to be set aside annually to cover the accrued pension obligations of the firms that went into bankruptcy, on the severe and unrealistic assumption that in no case would there have been any corporate assets available for the satisfaction of pension claims.

The study revealed that a premium slightly less than two-tenths of 1 percent of the pension debt outstanding would have covered the aggregate losses occurring during the period. Only in the years 1933 and 1934 would the credit insurance company have been unable to meet all claims out of accumulated reserves, the deficit being erased by 1937. With the exception of the year 1957, the insured firms would have paid larger premiums in each of the years from 1935 to 1958, inclusive, than would have been required to pay the claims arising during those years. The premium rate was set at three-tenths of 1 percent in order to permit the building up of reserves that were considered to be a substitute for a large initial guaranty capital fund.

As of the end of 1966, about 1,900 Swedish corporate employers, comprising about 15 percent of the total, had elected to utilize internal funding for the salaried employees' supplemental benefits, with the concomitant use of the credit insurance mechanism. Approximately 200,000 employees and 9,000 pensioners were covered by this arrange-

[17] The investigation was limited to enterprises that belonged at some time during the period to the Swedish Employers' Confederation (SAF), which includes within its membership practically all firms in the manufacturing industry and the majority of those in the building and road transport industries. Bankruptcy was construed to be the equivalent of failure to pay the required contributions to SAF. In other words, any company that failed to pay its dues to the SAF was considered to be bankrupt.