



2015

# Annual Report

## Länsförsäkringar

### Sak

# The 2015 fiscal year

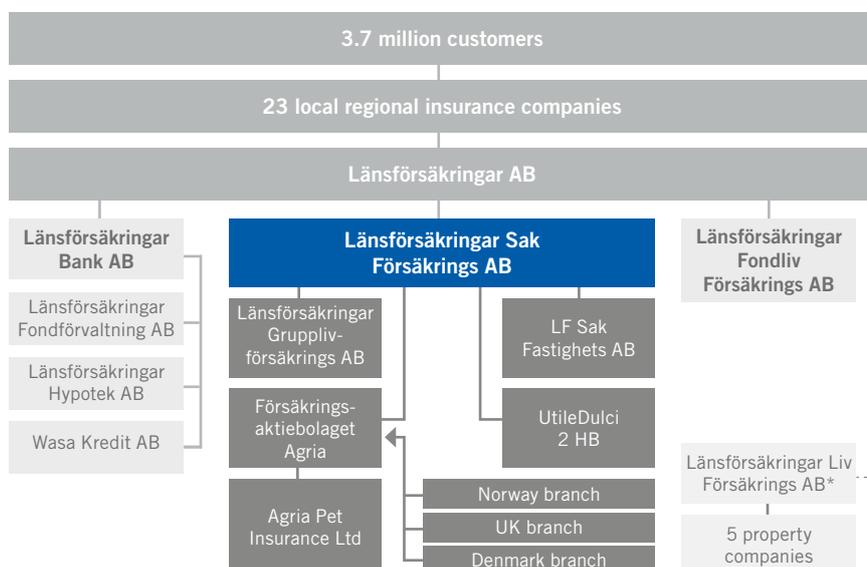
## The year in brief

- Net profit for the year before appropriations and tax amounted to SEK 972 M (320).
- The technical result amounted to SEK 501 M (308).
- The combined ratio was 78 (86).
- Strong technical result with growth in accident and health insurance.

### KEY FIGURES

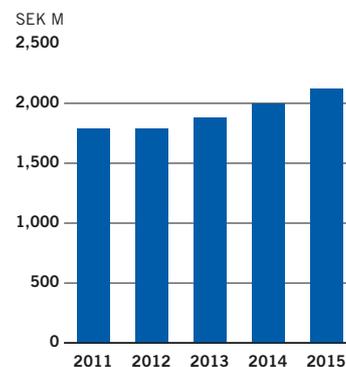
%	2015	2014	2013	2012	2011
Combined ratio	78	86	98	96	106
ROE <sup>1)</sup>	23	14	5	11	2
Total investment income	7.7	5.6	-1.2	3.7	6.4
Solvency margin	172	196	194	198	202
Solvency ratio according to Solvency I <sup>2)</sup>	665	505	971	1 042	920

<sup>1)</sup> Profit before appropriations less standard tax at a rate of 22.0% as a percentage of average equity including 78% of untaxed reserves.  
<sup>2)</sup> Own funds divided by Solvency I capital requirement.



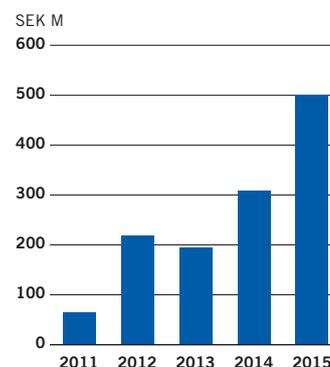
\* The company is operated in accordance with mutual principles and is not consolidated.

### Premium income



Premium income after ceded reinsurance 2014 adjusted by SEK 500 M corresponding to the effect of the transfer of the motor third-party liability insurance portfolio to the regional insurance companies.

### Technical result for insurance operations



**SEK 2,123 M**  
BUSINESS VOLUMES



# Länsförsäkringar Sak

The Non-life Insurance business unit of Länsförsäkringar AB is responsible for the non-life insurance operations, including animal and crop insurance and health insurance, which are conducted by Länsförsäkringar AB as assigned by the regional insurance companies.

The Non-life Insurance business unit's task involves supplementing the companies' offering with specialist products to meet customer needs and to start new business that can be channelled through the regional insurance companies. Business is conducted so that the regional insurance companies can offer customers

a broad range of insurance for people, animals and property and obtain effective reinsurance coverage. Länsförsäkringar Sak underwrites health care, accident and health insurance in Business Area Health, and commercial special insurance and international reinsurance, and manages the Länsförsäkringar Alliance's overall reinsurance cover. Animal insurance is conducted in the subsidiary Agria Djurförsäkring and group life assurance is underwritten in the subsidiary Länsförsäkringar Gruppliv as an important part of the customer offering in the expanding Business Area Health.

## Länsförsäkringar in brief | Customer-owned regional insurance companies with local presence

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The regional insurance companies are owned by the insurance customers, and the principles of customer ownership also apply to the banking operations. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies and the jointly owned life-assurance and non-life insurance operations. The

basis is a local presence and foundation – experience has proven that local decision-making combined with joint administration and business development create added value for customers. Long-term respect for the security of customers is also fundamental. There are no external shareholders and customers' needs and requirements thus comprise Länsförsäkringar's primary task. The Länsförsäkringar Alliance has more than 3.7 million customers and about 6,000 employees.

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# Together we create safety and opportunities

**Statement by the CEO | The heading above is our vision. In the changeable world in which we live today, this is more important than ever before. The Non-life Insurance business unit is to conduct profitable business that complements and harmonises with the business of the regional insurance companies, and to develop new business so that the regional insurance companies can continue in the future to meet customer needs for insurance cover for people, animals and property. Our work on security for customers dates back more than 200 years.**

It is a true privilege to create value for our customers, who are ultimately our owners. Business Area Health offers a very popular “Bo Kvar” insurance policy that provides cover in the event of death, illness or unemployment and is sold to Länsförsäkringar’s mortgage customers. This type of cover has been in demand from customers and I am pleased that we can combine our mortgages with a very good insurance product so that home buyers can feel secure.

2015 was another strong year for us. Operating profit for the non-life insurance company and its subsidiaries amounted to SEK 908 M (791), of which SEK 922 M (208) was generated in Länsförsäkringar Sak. This profit for the year comprised a strong technical result for the insurance operations, dividends of SEK 450 M from subsidiaries and the successful work of the asset management department. Many factors in the subsidiaries contributed to these favourable earnings, such as Agria’s pet-insurance business, which posted profit of SEK 214 M (and Agria a total of SEK 286 M).

## Outstanding work of our employees

The results we can deliver are due to the outstanding work of our fantastic employees. Involvement and expertise create profitable growth. Regardless of their role in the organisation, employees strive to follow the motto in recent years of “conducting profitable business and making business profitable.” The market and com-

petition remained intense in most areas, although many insurance risks were renewed and new policies underwritten despite this situation. An organisational change took place at the start of 2015 with the merger of two business areas into one – Business Area Reinsurance and Special Insurance – to streamline operations at the Non-Life Insurance Company. In addition to enhancing efficiency, the change also broadens the international network and

opens opportunities for new business and strengthened relations. Focusing on quality and efficiency is part of our day-to-day activities. We use the Lean work method to support our process improvements, meaning that processes are continuously refined.

## Development and expansion

Digitisation in Business Area Health is making excellent progress. For example, a simplified and digitised health declaration was produced during the year that will replace paper copies. This is clearly the right path to take. Not only does digitisation make it easy for our customers and us, it also helps make work methods more modern and environmentally friendly. Business Area Health also started working on independent medical reviews of operation requests in cooperation with our health care providers, to ensure that the care that we arrange is compatible with the most recent research findings. To quality assure this work, we established a Medical Council together with several other insurance companies that will closely monitor reviews.



**The results we can deliver are due to the outstanding work of our fantastic employees.**

A fundamental basis for conducting insurance operations is solid reinsurance cover. The Länsförsäkringar Alliance’s reinsurance solutions have been pursued in the operations for many years. 2015 was a relatively quiet claim year for Länsförsäkringar’s business. We also underwrite internationally assumed reinsurance. The higher rate of disaster claims globally illustrates the essential nature of reinsurance cover. Reinsurance rates have been

pressed down in recent years, although this has eased slightly, while the trend of mergers and take-overs is continuing. Major claims for internationally assumed reinsurance during the year include the large explosions in Tianjin, China. These explosions took place in August in a new, gigantic industrial area known as an economic-technological development area. There was widespread material damage and more than 100 lives were lost and more than 700 people were injured.

Agria, which conducts operations in Norway, Denmark and the UK, as well as in Sweden, reported highly positive earnings with advances noted in all countries. The pet insurance business lines were the main contributors, with significant growth in cat insurance. I am pleased to say that next year Agria will expand by establishing operations in Finland. With our Nordic focus, this is a natural step.

#### Confidence in the future

Länsförsäkringar's total offering is difficult to beat. We have a long history where the fundamental ideas are just as valid today as they were when they were first applied. There is no doubt that we can meet customer requirements in the future. Providing the best customer value is a key factor for success since customers have to decide to retain us as their insurer every year. Accordingly, it is gratifying that the most recent Swedish Quality Index survey showed that we received top marks and have Sweden's most satisfied customers. Today, the Länsförsäkringar brand is one of the strongest in the industry and one of the most well-known throughout Sweden. In addition, the Agria brand is by far the strongest in animal insurance. The strong Agria brand is based on such factors as a deep commitment to animal health and research programmes. Agria is represented at various animal events, competitions, exhibitions, etc. and maintains a continuous dialogue with customers in collaboration with several animal-owner organisations.

To remain well-positioned for the future, we must have dedicated employees, practice sustainability in everything we do and continuously develop our oper-

ations and work methods. Nurturing and making use of each other's differences creates huge opportunities moving forward. Digital development is one of our most important issues for the future and is naturally governed by changes in needs and behaviours. Customer needs are changing, and the world is moving at tremendous speed. Significant investments will be needed in the years ahead to attempt to satisfy these needs. We have a solid plat-

form for our future development and the future holds many opportunities.

*Stockholm, February 2016*



**ANN SOMMER**  
CEO of Länsförsäkringar Sak



**Digital development is one of our most important issues for the future and is naturally governed by changes in needs and behaviours.**

# Board of Directors' Report

**The Board of Directors and the CEO of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby submit the Annual Report for the 2015 fiscal year. The registered office of the company is in Stockholm.**

In accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act, consolidated financial statements were not prepared since the company and its subsidiaries are included in the consolidated financial statements for Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020. Figures in parentheses pertain to the preceding year.

## Ownership

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Sak) is wholly owned by Länsförsäkringar AB (publ), which in turn is owned by 23 regional insurance companies and 16 local insurance companies.

## Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Grupplivförsäkringsaktiebolag, Länsförsäkringar Sak Fastighets AB, the partnership Utile Dulci 2 HB.

## Focus of operations

Länsförsäkringar Sak conducts non-life insurance operations. The majority of non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. Länsförsäkringar Sak's task is to conduct business activities in the development areas in non-life insurance and to supplement the regional insurance companies' offering by conducting business activities where there is a need for specialist expertise or where economies of scale can be gained from underwriting business in Länsförsäkringar Sak. In 2015, business was underwritten in the insurance classes of health,

health care, accident, property, marine and cargo and casualty insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor hull insurance) and annuities operations. The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. Länsförsäkringar Sak's subsidiary Försäkringsaktiebolaget Agria is a specialist company in animal and crop insurance. The subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag underwrites group life assurance and employment group life assurance. The operations in Länsförsäkringar Sak with subsidiaries are conducted jointly in Länsförsäkringar AB's Non-life Insurance business unit.

## Market

The market for personal-risk insurance was affected by greater household indebtedness and the concern that social insurance in Sweden will be insufficient. A rising number of people are buying private insurance to increase their financial security in the event of illness, accident, unemployment and death. Company owners also want to ensure that neither they nor their employees go on long periods of sick leave and health care insurance can thus provide greater security and keep a business's employees healthier. The trend in society of a sharp rise in sick leave, dominated by mental health issues, means that employer need to focus more on this issue.

The health care insurance market is growing and competition is fierce, partic-

ularly in the market for medium-sized and large companies. Profitability for the entire health care insurance industry is weak and most insurance companies have introduced deductibles, raised premiums and made new restrictions in insurance terms. Länsförsäkringar remains a market leader in the area and has the most comprehensive products featuring preventive health services, the right care at the right time and effective rehabilitation.

The market for accident and health insurance also increased about 7% during the year. Länsförsäkringar's market share declined slightly but has been relatively stable in the past few years at slightly more than 19%.

The price pressure in marine and cargo insurance stagnated slightly, although there are no indications that premiums are starting to rise. Competition in casualty insurance further intensified during the year through new establishments and with insurance companies that previously focused only on large companies now also cultivating the same market segments (small and medium-sized businesses) as Länsförsäkringar Sak. Portfolio and group insurance procurements from larger insurance brokers are more and more common, particularly in motor hull and marine and cargo insurance.

The total reinsurance capacity in the international reinsurance market remained substantial. Record-low interest rates and the high earnings of reinsurance companies continued to attract new investors to the industry, which resulted in pressed prices.

Länsförsäkringar Sak's partnership with the International Network of Insurance (INI) is continuously developed and provides the

Länsförsäkringar Alliance's Swedish corporate customers with international interests the opportunity to gain customised and local insurance solutions in more than 100 countries at competitive prices.

### Significant events during the year

#### Business Area Health

Länsförsäkringar is increasing both premium volumes and the number of policies in personal-risk insurance. Claims costs in health care insurance displayed unfavourable development and several measures were taken to break this trend, such as adjustments to prices and deductibles. Important quality activities were initiated in health care insurance during the year. The aim is for all operations performed in this insurance line to be subject to independent medical reviews. The purpose is to ensure patient safety and customer value, and safeguard the cost trend in the insurance solution. Länsförsäkringar's health care insurance, which includes claims-prevention services and rehabilitation, supports employees in their efforts to achieve better health and helps companies reduce sickness absence rates.

Other parts of accident and health insurance has a favourable year and delivered stable, positive earnings. The Bo Kvar policy, launched in December 2014 in collaboration with Länsförsäkringar Bank, provides financial protection for the bank's mortgage customers in the event of death, illness or unemployment. Strong sales were reported and about 10,000 people are now insured.

A decision was made to transfer one of the business lines in accident and health

insurance for adults to the regional insurance companies. The regional insurance companies will begin underwriting new policies from January 2016 and Länsförsäkringar Sak will stop underwriting new policies on 1 March 2016.

#### Business Area Reinsurance and Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers through the Special Insurance business area with specialised casualty, marine and cargo, motor and property insurance. This business area was merged with Business Area Reinsurance on 1 January 2015 and the new business area is named Reinsurance and Special Insurance. The merger creates synergies in the areas of IT and business development, business support, marketing and sales.

Länsförsäkringar Sak continued to deliver stable, positive earnings in marine and cargo insurance, despite a slight decrease in the portfolio.

Some parts of the casualty insurance business were impacted by the uncertain legal situation surrounding professional indemnity insurance for life-assurance brokers. As a result, Länsförsäkringar Sak stopped underwriting casualty insurance for life-assurance brokers back in 2014. Two cases were considered by the Court of Appeal during the year, both of which were appealed to the Supreme Court. It is hoped that the legal situation will become clearer during 2016. The insurance portfolio for the casualty business has thus declined slightly, although the business is continuing to deliver positive earnings. Seller liability

insurance, which provides cover for the ten years of liability for hidden faults that sellers of private residences have under the Swedish Land Code, is increasing in line with the growth of Länsförsäkringar Fastighetsförmedling.

Assumed reinsurance posted positive earnings despite several major claims in assumed reinsurance, in both the Länsförsäkringar Alliance's internal business and in assumed international reinsurance.

### Preparations for new risk-based regulatory requirements – Solvency II

The primary focus of the Solvency II work in 2015 was completing the implementation of the regulations. This preparatory work was carried out with a focus on creating the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and developing improved calculation tools for balancing risk-taking with opportunities for yielding returns.

During the year, Länsförsäkringar Sak, together with the other insurance companies in the Länsförsäkringar AB Group, applied to the Swedish Financial Supervisory Authority for permission to use a partial internal model for reporting its solvency capital requirements. Länsförsäkringar Sak will thus be able to work with a capital requirement that is better aligned with the specific risks of the company than those in the standard formula of the rules.

### **Significant events after the end of the fiscal year**

No significant events were reported after the balance-sheet date.

### **Expectations regarding future development**

Personal-risk insurance is expected to be affected by the rapidly increasing rate of sick leave. The area is dominated by mental health issues that now account for almost half of all sick leave. All relevant parties need to combine their efforts to break this trend, and in particular the actions of the employer will become increasingly important. Preventive and early measures at the workplace are the keys to success. Household indebtedness is continuously increasing and has now led to many not having sufficient insurance cover. The need for personal-risk insurance in the form of benefits in the event of illness, accident or unemployment will continue to increase. Länsförsäkringar Sak's sales trend in this area was favourable. With highly satisfied health care insurance customers and a large market share in commercial insurance, Länsförsäkringar is well-positioned for growth.

The new Business Area Reinsurance and Special Insurance is focused on an aggressive five-year growth plan that includes new products and targeted efforts. Länsförsäkringar Sak also sees opportunities for growth as a player in assumed reinsurance.

### **Risks and risk management**

Länsförsäkringar Sak's largest risk exposures are considered to be its investment assets and its insurance commitments in assumed reinsurance and personal-risk insurance. Refer also to note 2 Risks and risk management.

### **Employees**

Employee-ship and leadership  
Dedicated employees and strong leadership

are important prerequisites for achieving results. The companies in the Länsförsäkringar AB Group work according to a joint model for performance management and employee-ship includes actively pursuing operational improvements. Employee-ship involves every employee assuming responsibility for their own development in terms of performance, competencies and health. This responsibility is described in the personnel policy and the performance management work model. Well-defined requirements and expectations are made of managers and employees, based on the company's values and the employee and leader profile. A new employee profile was introduced in dialogue form during 2015 by each manager and leader. The Employee Satisfaction Index (ESI) remained at the same high level as in the preceding year. Factors that affect the ESI include a good work climate, perception of being respected in working groups, information from immediate managers and high awareness of the company's general objectives. The target is also to increase the employee Commitment Index. There is widespread willingness to be involved in influencing future developments, and employees are satisfied with their workplace.

The Code of Conduct and governance documents describe expected standards of conduct and behaviour from managers and employees in their day-to-day work, to comply with the company's vision, values, targets, strategies and external requirements. Managers and employees are expected to update their knowledge of and study documents relevant to their work every year. All employees, except for the CEO, have collective agreements.

### **Health and working environment**

The personnel policy describes managers' responsibilities regarding working environment and health issues. All organisational

changes in the business are preceded by risk assessments and are an explicit managerial responsibility. All employees have health care insurance that provides rapid access to private health care. This insurance includes medical consultations, personal counselling and preventive health services encompassing medical consultations, a health profile and online health programmes. A clear rehabilitation process is implemented in the operations.

Länsförsäkringar has a generous, subsidised preventive health care offering located at its own facilities, where employees can participate in exercise classes, fitness activities and weight training. Agreements have been signed with occupational health care services for medical check-ups and work-related illnesses or ergonomic problems.

### **Equality and diversity**

Corporate management of Länsförsäkringar AB has identified the drivers for a long-term diversity programme. Broadening diversity and being an equal opportunity workplace were targets of the business plan and were achieved during the year. All levels endeavour to achieve an even distribution between men and women managers. According to employee surveys, 80% of women believe that Länsförsäkringar AB is an equal opportunity workplace. An analysis was conducted during the year to identify gender imbalances between working groups and an action plan was prepared for 2016. Salary levels for men and women in similar positions at all levels were quality assured during the year and a salary survey is to take place every three years according to law. Active work is taking place in new recruitment to increase ethnic diversity. No cases of discrimination were reported in 2015.

For information about the number of employees, etc., see note 8.

## Environment

Länsförsäkringar Sak takes an environmental approach through the organisation by reducing the impact of the operations on the environment and ensuring that its offering is environmentally compatible. The environmental management system has ISO 14001 certification to ensure that environmental activities are conducted in a structured and sustainable manner, and the Länsförsäkringar AB Group and regional insurance companies also hold ISO 14001 certification.

In accordance with the company's environmental policy, Länsförsäkringar Sak assumes its responsibility for the negative impact on the environment caused by its operations. Business travel results in, for example, emissions of the greenhouse gas, carbon dioxide. To reduce the environmental impact of business travel, train travel is increasingly used in line with the travel guidelines of the business travel policy. Technology allows meetings to be held by telephone, video and in digital channels, which reduces travel. Company cars meet the definition of green cars in the company car policy.

Development of digital channels provides major opportunities for reducing paper-based communication to customers, while simultaneously improving service and quality of the information. In addition to reducing the environmental impact of paper manufacturing and transportation of paper-based communication, this makes information more accessible to customers. The Länsförsäkringar Alliance's digital target scenario was launched at the end of 2015, which is to produce the market's best and most popular digital services.

A key function that also has an environmental impact is the purchasing of products and services. According to the purchasing policy and Code of Conduct for suppliers, the environmental impact of purchasing

processes will be minimised. Continuous efforts are taking place to develop environmental standards for all categories of purchasing and procurement.

Each claim incurred entails some form of environmental impact. Länsförsäkringar AB conducts standardised claims-prevention activities throughout the Länsförsäkringar Alliance to reduce claims and environmental impact.

Länsförsäkringar Sak's office properties are environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. The properties are managed by Humlegården AB, which also holds ISO 14001 certification. The electricity used in the properties is Good Environmental Choice electricity and the heating is district heating that is largely produced using renewable fuels.

## Responsible investments

Länsförsäkringar Sak's ethical guidelines are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. No direct investments are made in companies that conduct operations in controversial weapons, such as cluster munitions, land mines and nuclear weapons. At the end of 2014, Länsförsäkringar AB signed the United Nations-supported Principles for Responsible Investment. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. There are two main alternatives in the event of contraventions of guidelines – divest the asset or seek to influence the company through lobbying and dialogue. Länsförsäkringar Sak primarily makes use of dialogue and lobbying to influence companies to act responsibly.

At the end of 2015, Länsförsäkringar AB signed the international Montreal Carbon Pledge initiative, under which investors across the world pledge to measure and publicly disclose the carbon footprint of their investment portfolios. The carbon footprint of Länsförsäkringar Sak's investments will be measured in 2016. Länsförsäkringar AB supports the Carbon Disclosure Project (CDP), which collates environmental data about companies that is used by investors for financial analyses.

## Asset Management

Asset management is handled within Länsförsäkringar AB on assignment from Länsförsäkringar Sak. Using an efficient and competitive management model that takes risk levels into consideration, Länsförsäkringar Sak aims to create a stable return on the investment assets in the company in order to achieve favourable profitability over time. During the year, risk in the portfolio remained relatively low. Most of the total market risk was in property, while the market risk in the more actively managed part of the portfolio was found in interest-bearing assets.

## Earnings and financial position

Profit before appropriations and tax for 2015 amounted to SEK 972 M (320). Profit from insurance operations amounted to SEK 501 M (308) and the remaining investment income and other non-technical expense amounted to SEK 471 M (12).

## Profit from insurance operations

The profitability of the insurance operations was generally high. The marine and cargo and casualty insurance businesses performed positively and reported improved year-on-year earnings. Claims costs in health care insurance displayed an unfavourable trend and several measures were taken to turn around this trend.

Premiums earned after ceded reinsurance amounted to SEK 2,115 M (1,485). Premiums earned for the preceding year were negatively impacted by SEK 500 M due to the transfer of the motor third-party liability insurance portfolio to the regional insurance companies. Excluding this effect, premiums earned rose 7%, primarily a result of portfolio growth and premium adjustments in accident and health insurance.

Claims payments after ceded reinsurance increased to SEK 1,205 M (861) and the claims ratio was 57% (58). The reserves of the accident and health insurance for adults business were reviewed in connection with the decision to transfer the business to the regional insurance companies, which generated a significantly positive run-off result in 2015. Claims costs in 2014 were positively impacted by the transfer of the motor third-party liability insurance portfolio to the regional insurance companies.

Operating expenses increased compared with the preceding year and amounted to SEK 444 M (412). The increase in operating expenses was mainly due to higher development costs and higher acquisition costs. However, the expense ratio fell to 21% (28). Excluding the negative effects on premiums earned in the preceding year due to the transfer of the motor third-party liability insurance portfolio, the comparative figure amounted to 21%. All insurance classes reported a profit, except for motor third-party liability and motor hull that posted a slight loss. The combined ratio fell to 78% (86). Excluding the effect of the transfer of the motor third-party liability insurance portfolio, the combined ratio in the preceding year amounted to 90%. The improvement in 2015 was due to the positive run-off result in the accident and health

insurance for adults business line and the earnings improvement in marine and cargo and casualty insurance. Investment income transferred from financial operations amounted to SEK 36 M (115). The change was due to lower interest rates and lower provisions for claims payments after the transfer of the motor third-party liability insurance portfolio to the regional insurance companies.

#### Profit from financial operations

The total return amounted to 7.7% (5.6). Properties, which at year-end amounted to about 42% of the investment assets, contributed 8.4 percentage points to the total return. In addition to the ongoing direct yield, changes in the market value of the property holdings are also included in the return. The fixed-income portfolio, which has a short duration, had an adverse effect of 0.4 percentage points on the return. US credits and widened credit spreads accounted for the largest negative contributions. A liability hedge to hedge interest-rate risk in the discounted annuity reserve was previously applied. This liability hedge, which previously represented a large portion of the portfolio, was discontinued in connection with the portfolio transfer of the annuity reserve to the regional insurance companies on 31 December 2014. The liability hedge made a significant contribution to the total return in the preceding year.

#### Solvency

Solvency capital increased during the year to SEK 3,642 M (2,944). The solvency margin declined to 172% (196) due to an increase in premium income for own account.

#### Proposed appropriation of profit

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolag (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	63,930,715
Group contribution paid	-330,000,000
Tax on Group contributions	72,600,000
Net profit for the year	817,074,968
<b>Total</b>	<b>623,605,683</b>

The Board of Directors and the CEO propose that SEK 235.00 per share of this profit, corresponding to SEK 470,000,000, be distributed to the Parent Company and SEK 153,605,683 be carried forward. The Board of Directors believes that this distribution of profit and Group contribution paid are justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

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The result of the year's operations and the company's financial position at 31 December 2015 are presented in the following financial statements and the accompanying notes.

# Five-year summary

SEK M	2015	2014	2013	2012	2011
<b>EARNINGS</b>					
Premiums earned (after ceded reinsurance)	2,115	1,485	1,862	1,796	1,839
Investment income transferred from financial operations	36	115	137	144	169
Claims payments (after ceded reinsurance)	-1,205	-861	-1,377	-1,268	-1,513
Operating expenses	-444	-412	-446	-453	-431
Other income and expenses	-	-19	19	-	-
<b>Technical result for insurance operations</b>	<b>501</b>	<b>308</b>	<b>195</b>	<b>219</b>	<b>64</b>
Remaining investment income	483	41	-17	151	37
Other non-technical expenses	-12	-29	-29	-29	-29
<b>Profit before appropriations and tax</b>	<b>972</b>	<b>320</b>	<b>149</b>	<b>341</b>	<b>56</b>
Net profit for the year	817	217	108	230	41
<b>Premium income (after ceded reinsurance)</b>					
Non-life insurance	2,123	1,499	1,881	1,786	1,787
<b>FINANCIAL POSITION</b>					
Investment assets	6,373	6,093	13,704	14,321	14,167
Technical provisions (after ceded reinsurance)	3,913	4,172	11,284	12,059	12,480
<b>Solvency capital</b>					
Equity	828	580	1,326	1,262	1,451
Deferred tax	8	10	12	17	-39
Untaxed reserves	1,255	1,205	1,165	1,155	1,139
Surplus values	1,551	1,149	1,150	1,104	1,056
<b>Solvency capital</b>	<b>3,642</b>	<b>2,944</b>	<b>3,653</b>	<b>3,539</b>	<b>3,608</b>
<b>Solvency margin, %</b>	<b>172</b>	<b>196</b>	<b>194</b>	<b>198</b>	<b>202</b>
<b>Own funds</b>	<b>3,144</b>	<b>2,588</b>	<b>3,252</b>	<b>3,385</b>	<b>3,092</b>
<b>Solvency I capital requirement</b>	<b>473</b>	<b>512</b>	<b>335</b>	<b>325</b>	<b>336</b>
<b>Own funds for the insurance group, Länsförsäkringar Sak Group</b>	<b>3,371</b>	<b>3,020</b>	<b>3,319</b>	<b>3,281</b>	<b>2,846</b>
<b>Solvency I capital requirement for the insurance group, Länsförsäkringar Sak Group</b>	<b>1,050</b>	<b>1,050</b>	<b>840</b>	<b>826</b>	<b>781</b>
<b>Own funds for the insurance group<sup>1)</sup></b>	<b>9,437</b>	<b>7,619</b>	-	-	-
<b>Solvency I capital requirement for the insurance group<sup>1)</sup></b>	<b>6,072</b>	<b>6,293</b>	-	-	-
<b>KEY FIGURES</b>					
<b>Insurance operations</b>					
Claims ratio <sup>2)</sup>	57	58	74	71	82
Expense ratio	21	28	24	25	23
Combined ratio	78	86	98	96	106
<b>Asset management, %</b>					
Direct yield	5.7	0.6	2.3	2.8	4.1
Total return, including properties in Group companies	7.7	5.6	-1.2	3.7	6.4

<sup>1)</sup> From 2014, Länsförsäkringar Sak is included in an insurance group under Länsförsäkringar AB (publ) together with Länsförsäkringar Grupplivförsäkringsaktiebolag (publ), Försäkringsaktiebolaget Agria (publ), Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and Länsförsäkringar Liv Försäkringsaktiebolag (publ). The reason for the new insurance group is an amendment to the Swedish Insurance Business Act (2010:2043) that came into effect on 1 August 2013 (Act on Amendments to Insurance Business Act (2010:2043) (2013:672)), but that applied from 1 January 2014 based on transition rules.

<sup>2)</sup> Fees to Swedish Motor Insurers were previously recognised as claims payments. From 2014, these fees are recognised as Other technical expenses since the expense is not considered to be a transfer of insurance risk. When viewed in relation to the insurance operations, it is deemed more correct to recognise the expense as Other technical expenses. The claims ratio has been adjusted for 2013 but not for older periods since it is difficult to obtain data.

## Direct yield

Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year. The direct yield was restated in accordance with FFFS 2011:28.

## Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding administration costs, in relation to the average value of

these assets during the year. The change in value in assets for liability hedges is included in the figure, but the change in value of the discounted technical provisions is not included in the total return.

## Surplus values

Items included in Surplus values, see note 20 Shares and participations in Group companies, with information about the valuation of shares in property companies. Surplus values are calculated as the difference between the Market Value and Carrying Amount of properties in subsidiaries, adjusted by the difference between the Carrying Amount of these shares/participations in subsidiaries and Equity in the subsidiaries.

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## Income statement

Technical recognition of non-life insurance operations, SEK M	Note	2015	2014
<b>Premiums earned (after ceded reinsurance)</b>			
Premium income	3	3,692.8	5,886.0
Premiums for ceded reinsurance		-1,570.0	-4,387.2
Change in Provision for unearned premiums and unexpired risks		-14.5	-7.7
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks		7.2	-6.3
<b>Total</b>		<b>2,115.5</b>	<b>1,484.8</b>
Investment income transferred from financial operations	4	35.9	115.4
<b>Claims payments (after ceded reinsurance)</b>			
Claims paid			
Before ceded reinsurance		-3,078.7	-7,731.8
Reinsurers' portion		1,612.2	1,314.6
<b>Total</b>	5	<b>-1,466.7</b>	<b>-6,417.2</b>
<b>Change in Provision for claims outstanding</b>			
Before ceded reinsurance		946.9	1,258.4
Reinsurers' portion		-685.5	4,298.2
<b>Total</b>		<b>261.4</b>	<b>5,556.6</b>
<b>Claims payments (after ceded reinsurance)</b>			
		<b>-1,205.3</b>	<b>-860.6</b>
Operating expenses	6, 7, 8	-444.3	-412.3
Other technical expenses	9	-0.7	-19.5
<b>TECHNICAL RESULT FOR NON-LIFE INSURANCE OPERATIONS</b>		<b>501.1</b>	<b>307.8</b>
<b>NON-TECHNICAL RECOGNITION</b>			
Technical result for non-life insurance operations		501.1	307.8
Investment income, revenue	10	719.1	842.6
Unrealised gains on investment assets	11	5.1	118.5
Investment income, expenses	12	-62.4	-767.8
Unrealised losses on investment assets	13	-141.9	-3.1
Other non-technical expenses	15	-11.9	-28.9
Investment income transferred to non-life insurance operations		-37.0	-149.4
<b>Profit before appropriations and tax</b>		<b>972.1</b>	<b>319.7</b>
<b>Appropriations</b>			
Tax allocation reserve	31	-49.7	-39.5
<b>Profit before tax</b>		<b>922.4</b>	<b>280.2</b>
Tax on net profit for the year	16	-105.3	-63.3
<b>Net profit for the year</b>		<b>817.1</b>	<b>216.9</b>

## Statement of comprehensive income

SEK M	2015	2014
Net profit for the year	817.1	216.9
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>817.1</b>	<b>216.9</b>

## Performance analysis 2015

SEK M	Total	Accident and health	Household and homeowner	Commercial	Motor hull	Motor third-party liability	Marine, air and cargo	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
<b>Technical result for non-life insurance operations</b>										
Premiums earned (after ceded reinsurance)	2,115.5	1,122.8	–	193.0	115.1	35.2	103.9	1,570.0	3.0	542.5
Investment income transferred from financial operations	35.9	14.4	–	10.2	0.7	2.1	0.7	28.1	–	7.8
Claims payments (after ceded reinsurance)	-1,205.3	-501.0	-0.2	154.4	-95.6	-27.0	-21.3	-799.5	-1.6	-404.2
Operating expenses	-444.3	-224.7	-0.4	-44.2	-21.2	-11.3	-27.7	-329.5	-0.1	-114.7
Other technical expenses	-0.7	–	–	–	–	-0.7	–	-0.7	–	–
<b>Technical result, non-life insurance operations, 2015</b>	<b>501.1</b>	<b>411.5</b>	<b>-0.6</b>	<b>4.6</b>	<b>-1.0</b>	<b>-1.7</b>	<b>55.6</b>	<b>468.4</b>	<b>1.3</b>	<b>31.4</b>
Technical result for non-life operations, 2014	676.2	151.7	-0.7	-9.8	4.6	612.3	17.0	775.1	-1.8	-97.1
Net run-off profit/loss, 2015	402.6	335.6	-0.2	2.1	4.0	10.6	40.5	392.6	-1.2	11.2
<b>Technical provisions, before ceded reinsurance</b>										
Provision for unearned premiums and unexpired risks	505.0	272.2	1.1	95.9	98.1	8.0	28.7	504.0	1.8	-0.8
Provision for claims outstanding	14,232.8	1,256.2	1.0	992.0	29.8	2,153.4	82.4	4,514.8	1.7	9,716.3
<b>Total technical provisions, before ceded reinsurance</b>	<b>14,737.8</b>	<b>1,528.5</b>	<b>2.1</b>	<b>1,087.9</b>	<b>127.9</b>	<b>2,161.4</b>	<b>111.1</b>	<b>5,018.9</b>	<b>3.4</b>	<b>9,715.5</b>
<b>Reinsurers' portion of technical provisions</b>										
Provision for unearned premiums and unexpired risks	15.4	–	–	4.2	4.1	–	1.2	9.5	1.0	4.9
Provision for claims outstanding	10,809.7	–	–	17.9	0.9	2,009.7	–	2,028.5	0.5	8,780.7
<b>Total reinsurers' portion of technical provisions</b>	<b>10,825.1</b>	<b>–</b>	<b>–</b>	<b>22.1</b>	<b>5.0</b>	<b>2,009.7</b>	<b>1.2</b>	<b>2,038.0</b>	<b>1.5</b>	<b>8,785.6</b>

## Notes to performance analysis

SEK M	Total	Accident and health	Household and homeowner	Commercial	Motor hull	Motor third-party liability	Marine, air and cargo	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
<b>Note A Premiums earned (after ceded reinsurance)</b>										
Premium income	3,692.8	1,154.9	–	220.3	117.4	42.2	110.4	1,645.2	5.2	2,042.4
Premiums for ceded reinsurance	-1,570.0	-0.5	–	-24.2	-11.6	-6.9	-6.6	-49.8	-2.4	-1,517.8
Change in Provision for unearned premiums and unexpired risks	-14.5	-31.6	–	-3.5	5.2	-0.1	0.2	-29.8	0.1	15.2
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks	7.2	–	–	0.3	4.1	–	–	4.4	–	2.8
<b>Note B Claims payments (after ceded reinsurance)</b>										
<b>Claims paid</b>										
Before ceded reinsurance	-2,939.0	-703.8	-0.2	-114.4	-89.7	-161.1	-29.0	-1,098.2	-1.7	-1,839.1
Reinsurers' portion	1,612.0	1.5	–	4.3	4.7	126.2	-3.4	133.3	0.1	1,478.6
<b>Change in provision for claims outstanding</b>										
Before ceded reinsurance	946.9	272.7	–	-21.8	-1.3	126.3	23.5	399.4	-0.1	547.6
Reinsurers' portion	-685.5	-1.3	–	9.6	9.6	-111.2	-0.3	-103.5	0.1	-582.1

## Balance sheet

SEK M	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Intangible assets</b>			
Goodwill	18	0.0	11.9
Other intangible assets	19	20.1	21.8
<b>Total</b>		<b>20.1</b>	<b>33.7</b>
<b>Investment assets</b>			
Investments in Group companies and associated companies			
Shares and participations in Group companies	20	2,099.4	1,965.7
Interest-bearing securities issued by Group companies and loans to Group companies	21	582.7	1,064.2
Shares and participations in associated companies	22	17.5	17.5
Other financial investment assets			
Shares and participations	23	35.9	37.6
Bonds and other interest-bearing securities	24	3,389.2	2,843.1
Derivatives	25, 40	28.2	14.5
Other financial investment assets		185.5	101.7
Deposits with companies that have ceded reinsurance		34.2	48.7
<b>Total</b>		<b>6,372.6</b>	<b>6,093.0</b>
<b>Reinsurers' portion of Technical provisions</b>			
Unearned premiums and unexpired risks	32	15.4	8.3
Claims outstanding	33	10,809.7	11,503.0
<b>Total</b>		<b>10,825.1</b>	<b>11,511.3</b>
<b>Receivables</b>			
Receivables, direct insurance	26	330.7	403.8
Receivables, reinsurance		271.7	304.7
Other receivables	27	588.9	747.0
<b>Total</b>		<b>1,191.3</b>	<b>1,455.5</b>
<b>Other assets</b>			
Property and equipment	17	5.0	5.8
Cash and bank balances		72.1	651.1
Deferred tax	16	2.4	2.8
<b>Total</b>		<b>79.5</b>	<b>659.7</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest income	28	10.4	10.4
Prepaid acquisition costs	29	9.9	20.8
Other prepaid expenses and accrued income	30	16.2	20.8
<b>Total</b>		<b>36.5</b>	<b>52.0</b>
<b>TOTAL ASSETS</b>	42	<b>18,525.1</b>	<b>19,805.2</b>

## Balance sheet, cont.

SEK M	Note	31 Dec 2015	31 Dec 2014
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Share capital (2,000,000)		200.0	200.0
Statutory reserve		4.0	4.0
Retained earnings		-193.5	159.0
Net profit for the year		817.1	216.9
<b>Total</b>		<b>827.6</b>	<b>579.9</b>
<b>Untaxed reserves</b>			
Contingency reserve		1,138.9	1,138.9
Tax allocation reserve		116.0	66.2
<b>Total</b>	31	<b>1,254.9</b>	<b>1,205.1</b>
<b>Technical provisions (before ceded reinsurance)</b>			
Unearned premiums and unexpired risks	32	505.0	489.0
Claims outstanding	33	14,232.8	15,194.2
<b>Total</b>		<b>14,737.8</b>	<b>15,683.2</b>
<b>Other provisions</b>			
Pensions and similar commitments	34	23.1	24.1
Deferred tax liabilities	16	10.2	12.8
Current tax liabilities		14.9	1.3
Other provisions	35	10.8	12.2
<b>Total</b>		<b>59.0</b>	<b>50.4</b>
<b>Deposits from reinsurers</b>			
		<b>19.1</b>	<b>22.8</b>
<b>Liabilities</b>			
Liabilities, direct insurance	36	593.2	1,492.4
Liabilities, reinsurance		397.6	203.3
Derivatives	25, 40	17.6	67.3
Other liabilities	37	464.2	303.3
<b>Total</b>		<b>1,472.6</b>	<b>2,066.3</b>
<b>Accrued expenses and deferred income</b>			
Other accrued expenses and deferred income	39	154.1	197.5
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	42	<b>18,525.1</b>	<b>19,805.2</b>
<b>Memorandum items</b>			
Pledged assets		4,973.7	4,876.4
Contingent liabilities		25.8	23.2

## Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Retained earnings	Net profit for the year	Total equity
<b>Opening equity, 1 January 2014</b>	<b>200.0</b>	<b>4.0</b>	<b>1,014.0</b>	<b>107.5</b>	<b>1,325.5</b>
Appropriation of profit			107.5	-107.5	-
Dividends to Parent Company			-815.9		-815.9
Group contributions paid/received			-146.6		-146.6
Net profit for the year/Comprehensive income				216.9	216.9
<b>Closing equity, 31 December 2014</b>	<b>200.0</b>	<b>4.0</b>	<b>159.0</b>	<b>216.9</b>	<b>579.9</b>
<b>Opening equity, 1 January 2015</b>	<b>200.0</b>	<b>4.0</b>	<b>159.0</b>	<b>216.9</b>	<b>579.9</b>
Appropriation of profit			216.9	-216.9	-
Dividends to Parent Company			-312.0		-312.0
Group contributions paid/received			-257.4		-257.4
Net profit for the year/Comprehensive income				817.7	817.1
<b>Closing equity, 31 December 2015</b>	<b>200.0</b>	<b>4.0</b>	<b>-193.5</b>	<b>817.1</b>	<b>827.6</b>

Share capital and the statutory reserve are classified as restricted equity.

## Cash-flow statement

SEK M	Note	2015	2014
<b>Operating activities</b>			
Profit before tax		922.4	280.2
Adjustment for non-cash items		-396.1	-7,128.6
Tax paid		-21.3	-17.4
<b>Cash flow from operating activities before changes in working capital</b>		<b>505.0</b>	<b>-6,865.8</b>
<b>Cash flow from changes in working capital</b>			
Investments in investment assets, net		-557.1	6,756.0
Increase (-)/Decrease (+) in operating receivables		556.2	-159.2
Increase (+)/Decrease (-) in operating liabilities		-970.9	729.2
<b>Cash flow from operating activities</b>		<b>-466.8</b>	<b>460.2</b>
<b>Investing activities</b>			
Repayment of loans granted		488.0	950.8
Investments in property and equipment		0.3	-3.3
<b>Cash flow from investing activities</b>		<b>488.3</b>	<b>947.5</b>
<b>Financing activities</b>			
Dividends to Parent Company		-312.0	-815.9
Group contributions paid		-188.0	-134.1
<b>Cash flow from financing activities</b>		<b>-500.0</b>	<b>-950.0</b>
<b>Net cash flow for the year</b>		<b>-478.5</b>	<b>457.1</b>
Cash and cash equivalents, 1 January		1,140.0	682.3
Cash and cash equivalents, 31 December		661.5	1,140.0

## Supplementary information to cash-flow statement

SEK M	2015	2014
<b>Interest paid and received and dividends received</b>		
Dividends received	450.0	-
Interest received	40.0	138.8
Interest paid	-9.8	-4.9
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment of assets	14.1	40.3
Unrealised changes in currency	-76.1	94.1
Unrealised changes in value of investment assets	-6.5	-118.5
Capital gains/losses from partnerships	-133.7	-113.7
Impairment of shares in Group companies	-	100.0
Technical provisions after ceded reinsurance	-253.3	-7,169.7
Change in prepaid acquisition costs	10.9	3.2
Pension provisions	-1.0	-3.5
Provision for tax allocation reserve	49.8	39.5
Other provisions	-0.3	-0.3
	<b>-396.1</b>	<b>-7,128.6</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	72.1	651.1
<b>Receivables from Group companies</b>		
Länsförsäkringar Bank	521.0	408.5
Länsförsäkringar AB, Group bank account	68.4	80.4
	<b>661.5</b>	<b>1,140.0</b>

# Notes to the financial statements

All figures in SEK M unless otherwise stated.

## 1 ACCOUNTING POLICIES

### Company information

The Annual Report for Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corp. Reg. No. 502010–9681 pertains to the fiscal year 1 January–31 December 2015. Länsförsäkringar Sak Försäkringsaktiebolag is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegelluddsvägen 11–13, SE-106 50 Stockholm, Sweden.

The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. The Parent Company in the largest Group in which Länsförsäkringar Sak Försäkringsaktiebolag is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ). Länsförsäkringar Sak Försäkringsaktiebolag does not prepare its own consolidated financial statements in accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act.

### Compliance with standards and legislation

Länsförsäkringar Sak's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), and the Swedish Financial Reporting Board's recommendation RFR 2.

Länsförsäkringar Sak applies legally restricted IFRS. This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRSs.

The Annual Report was approved for publication by the CEO and Board of Directors on 25 February 2016. Final adoption of the Annual Report will take place at the 2016 Annual General Meeting.

### Conditions relating to the preparation of the financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million with one decimal point (SEK M), unless otherwise stated. Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value or amortised cost. The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

### Judgements and estimates in the financial statements

The preparation of accounts in accordance with legally restricted IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates are based on previous knowledge and experiences and the information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates, but estimates are regularly evaluated to reduce deviations. Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affected that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the company's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Länsförsäkringar Sak has assessed all insurance contracts, and the majority of these are classified as contracts with significant insurance risk. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Sak would be obligated to pay a significant amount of compensation. Other contracts total minor amounts and have thus, for materiality reasons, been classified as insurance contracts under IFRS 4. For further information, see the section on Insurance contracts below.

The company bases the classification of financial assets and liabilities on the purpose of the holding. The categories of financial assets and liabilities are described below under the section Financial assets and liabilities, which also describes the company's classification.

Significant sources of estimation uncertainty

Provisions for claims outstanding and the depreciation period for prepaid acquisition costs are two areas that involve a certain level of uncertainty. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2, which provides information on risks in the operations. The assumption for the depreciation period for prepaid acquisition costs is based on statistics relating to the terms of the insurance contracts.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

Pension provisions are calculated on an actuarial basis according to insurance guidelines and assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement. Accounting policies for defined-benefit pension plans are described below under the section Remuneration of employees and in note 34 Pensions and similar commitments.

The recoverable amount of the goodwill item is assessed when testing goodwill for impairment. This assessment makes use of assumptions about future circumstances.

### Amended accounting policies

New standards and amendments to standards adopted by the EU and that are to be applied from 1 January 2015 did not entail any significant changes to the company's earnings or financial position.

### New accounting regulations that have not yet been applied

A number of new or amended accounting regulations will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or amended IFRSs may have on the company's earnings and financial position are described below.

## Annual Accounts Act for Insurance Companies (1995:1560)

The Annual Accounts Act for Insurance Companies (1995:1560) has been amended and is to be applied to fiscal years beginning on or after 1 January 2016. The amendments will entail that amounts capitalised as expenses for internal development products must be transferred in equity from non-restricted equity to restricted equity to a Development Expenditures Fund. If the useful life of intangible assets that comprise expenses for the company's own development work cannot be determined with a reasonable degree of certainty, the period is set at five years. Other than this, the new regulations are not expected to entail any significant changes to the financial statements.

The Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12)

Regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) will replace the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26).

The new regulations introduce expanded disclosure requirements for the discount rate used by the company. The provisions on key figures have been adjusted to the requirements and concepts applied with the introduction of the Solvency II directive and the division of the insurance classes has been adjusted to the national supervisory reporting. The regulations on the publication of accounting-related information on remuneration and benefits for management are transferred to FFFS 2015:12 from the Financial Supervisory Authority's regulations and general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2011:2).

The regulations will take effect on 1 January 2016 and be applied for the first time to annual accounts, annual reports and consolidated financial statements for fiscal year beginning after 31 December 2015 and interim reports prepared for periods of such fiscal years.

Other than the changed requirements regarding disclosures and key figures, the new regulations are not expected to entail any significant changes to the financial statements.

## IFRS 9 Financial instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard contains new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting.

IFRS 9 will take effect for fiscal years beginning on or after 1 January 2018. Early adoption is permitted provided that the EU adopts the standard. The EU is expected to approve the standard in the first half of 2016. The standard is to be applied retrospectively, except for the rules on hedge accounting that are mainly to be applied prospectively.

Under IFRS 9, financial assets are to be classified into three different measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is determined on initial recognition based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces a recognition inconsistency (an "accounting mismatch"). Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value of instruments not held for trading in other comprehensive income instead. There are no major changes for the rules regarding financial liabilities compared with IAS 39, except for financial liabilities measured at fair value according to the fair value option. For these liabilities, the portion of the change in value attributable to own creditworthiness is recognised in other comprehensive income, unless this would create an accounting mismatch.

New principles are introduced for the impairment of financial assets measured at amortised cost and for debt instruments measured at fair value through other comprehensive income. The impairment model requires recognition based on the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses.

The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9 on recognition and measurement. The company does not have any financial liabilities measured according to the fair value option and does not apply hedge accounting, and therefore these changes are not deemed to have any significant effect on the company's financial statements.

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously issued standards and interpretations on income (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). IFRS 15 contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards (for example, IFRS 4 or IFRS 9). The basis of the standard is a contract on the sale of goods or services between two parties. A customer agreement is initially to be identified, which generates an asset for the seller (rights, a promise to receive consideration) and a liability (obligations, a promise to transfer the goods or services). Under the model, income is to be recognised when an obligation to deliver the promised goods or services to the customers is fulfilled. The EU is expected to approve the standard in the first quarter of 2016.

The company has commenced an analysis of the effect of IFRS 15 which has not yet been completed. However, the initial assessment is that most of the company's income is attributable to insurance contracts, which are encompassed by IFRS 4, and thus the effect of IFRS 15 on the company's financial statements is not deemed to be significant.

## IASB Annual Improvements cycle 2010–2012

The IASB Annual Improvements cycle 2010–2012 will take effect for fiscal years beginning on or after 1 February 2015. The Annual Improvement project includes a several minor amendments that affect a total of seven standards: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating segment, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures. These amendments are not deemed to have a significant effect on the company's financial statements.

## Other amendments to IFRS

The IASB has published the following new or revised standards that are not deemed to have a significant effect on the company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 19 Defined-Benefit Plans: Employee Contributions.
- Amendments to IASB Annual Improvements cycle 2012–2014.

## Future amendments to IFRSs that have not yet been published

The expected effects that the application of these future new or amended IFRSs may have on the company's financial statements are described below.

## IFRS 4 IFRS 4 Insurance Contracts – amendments

The IASB is currently working on a new version of IFRS 4 Insurance Contracts that will replace the existing standard. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The updated standard will also impose new disclosure requirements to increase comparability between different companies.

The final standard is expected to be published in 2016. The amendment is expected to take effect for fiscal years beginning on or after 1 January 2019.

The company has started to analyse the effects of this new standard.

## Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor.

Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends. Group contributions paid to a subsidiary are recognised as an increase in shares and participations in Group companies. Group contributions paid or received from the Parent Company aimed at reducing the Group's total tax are recognised in equity after deductions for current tax effects since, in accounting terms, the Group contributions are equated with dividends and shareholders' contributions.

## Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all subsidiaries and associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the business planning process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Joint development projects and service are financed collectively and invoiced based on an established distribution key. See note 44 Disclosures on related parties for further information

## Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences are recognised in profit and loss as exchange-rate gains/losses net under investment income, income or investment income, expenses. The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

## Insurance contracts

Insurance contracts are contracts in which Länsförsäkringar Sak undertakes a significant insurance risk for the policyholder by committing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on the level of insurance risk. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. An analysis of these was performed within Länsförsäkringar Sak and resulted in most insurance contracts being classified with insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

## Premium income

Premium income is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

## Premiums earned

Premiums earned correspond to the portion of the premium income that is earned. Unearned premiums are recognised under Provision for unearned premiums.

## Claims payments

Claims payments correspond to the expense in the accounting period for incurred claims, both those reported to the company and those not reported, regardless of when the claim occurred. Total claims payments include claims paid during the period and changes in provisions for claims outstanding. Expenses for claims adjustment are also included in claims paid. Claims recoveries are recognised as a reduction of claims costs.

## Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses.

## Investment income

Investment income transferred from financial operations  
The insurance operations have been assigned an interest rate based on the total of half of the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest, which for 2015 was set at 0.5% for short-term contracts and 1.25% for long-term contracts. The portion of transferred investment income that corresponds to the indexation of annuities has been transferred to claims payments and is included in the change in provision for claims outstanding item. Subsequently, the net investment income that is transferred from the financial operations/to the insurance operations is an increased capital cost corresponding to the effect of the indexed annuities.

## Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivative, cash and cash equivalents and loans. Dividends received, any impairment of financial assets and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets and derivatives. Realised gains and loss is calculated as the difference between the purchase consideration received and the cost of the asset.

In the insurance operations, provision for claims outstanding is discounted on annuities; the effect of interest-rate revaluations on annuities is recognised in Investment income, net.

#### Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised gain and loss.

#### Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date, and any adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Any additional income tax arising on dividends is recognised at the time when the dividend is recognised as a liability.

#### Intangible assets

##### Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets and liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment annually. The periods of amortisation are determined based on a useful life of five years.

##### Other intangible assets

Other intangible assets comprise proprietary and acquired IT systems and customer-based assets with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The company's proprietary intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future financial benefits of the specific asset to which they pertain.

The amortisation period is determined based on the useful life which is five years, except for the customer register for group accident insurance and group health insurance, which has a useful life of eight years. Amorti-

sation takes place in the income statement according to the straight-line method. Impairment testing takes place annual.

#### Investment assets

Shares and participations in Group and associated companies  
Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

#### Financial assets and liabilities

##### Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 40 on Information about offsetting.

##### Classification and valuation

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. Following initial recognition, the classification determines how the financial instrument is measured. Financial instruments that are not derivatives are initially measured at fair value, which corresponds to the cost with additions for transaction costs, although no addition for transaction costs is made for instruments classified as Financial assets measured at fair value through profit and loss.

Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to. For certain financial instruments where the fair value is not continuously determined, the company applies the option of measuring the instrument at fair value using the fair value option.

##### Financial assets measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that have a positive market value.

The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as financial assets measured at fair value through profit and loss. The category of Financial assets measured according to fair value option comprises the items of Interest-bearing securities issued by Group companies and loans to Group companies, Shares and participations, Bonds and other interest-bearing securities and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

##### Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or quoted in an active market. Assets in

this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items of Other receivables, Cash and bank balances and Prepaid expenses and accrued income.

**Financial liabilities measured at fair value through profit and loss**  
This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company has chosen to classify derivatives that have a negative market value in the category of Held for trading. Changes in fair value of financial liabilities measured at fair value through profit and loss are recognised as Unrealised gains and Unrealised losses on investment assets, respectively. The company has no financial liabilities in the category of Financial liabilities measured according to fair value option.

#### Other financial liabilities

The category of Other financial liabilities comprises Other liabilities and Accrued expenses and deferred income. Liabilities in this category are measured at cost.

#### Methods for determining fair value

The note on Fair value valuation techniques states the financial instruments measured at fair value and the level of the valuation hierarchy from which inputs are used for determining the fair value.

#### Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies, Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

#### Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are quoted in an active market and are measured according to Level 1, debt securities in issue are partly measured by using valuation techniques), Shares and participations and Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items Shares and participations and Bonds and other interest-bearing securities.

#### Property and equipment

Property and equipment are recognised in the balance sheet if it is probable that the company will receive future financial benefits and the cost can be calculated reliably.

Property and equipment are recognised at cost after deductions for accumulated depreciation and any impairment loss, plus any revaluations.

The carrying amount of a tangible asset is derecognised from the balance sheet in connection with disposal or divestment, or when no future financial benefits are expected from the use, disposal or divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses, and are recognised as other non-technical income or expenses. Depreciation takes place according to the straight-line method over the asset's estimated useful life, commencing when the asset becomes available for use, and is recognised as operating expenses in profit and loss. IT equipment is depreciated over three years according to plan. Other machinery and equipment is depreciated over five years according to plan. The depreciation method, the residual values and useful lives are re-tested at every year-end.

#### Impairment tests for property and equipment and intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. The recoverable amounts of goodwill and intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in profit and loss. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

#### Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of impairment of a financial asset. Objective evidence comprises observable circumstances that have occurred and affect the possibility of recovering the cost.

The recoverable amount for assets belonging to the category of loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

#### Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. Impairment losses on goodwill are never reversed. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

#### **Cash and bank balances**

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions. Balances in SEB Group account and balances with Länsförsäkringar Bank AB (publ) are recognised as receivables from Group companies under the item Other receivables in the balance sheet.

#### **Prepaid acquisition costs for insurance contracts**

Selling expenses that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. The selling expenses that are to be capitalised are commission expenses. In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

#### **Untaxed reserves**

Changes in untaxed reserves are recognised, according to Swedish practice, in profit and loss of each company under appropriations.

The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet, of which 22% can be considered to be deferred tax liabilities and 78% as restricted equity.

Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

#### **Contingency reserve**

The contingency reserve is a collective contingency-related strengthening of technical provisions. Access is limited and requires official permission in certain cases. Reversal can only take place against losses in the insurance operations or for lower volumes in the insurance operations.

#### **Tax allocation reserve**

A accounting unit can make a provision to the tax allocation reserve to reduce its taxable earnings during an income year, but must reverse the same tax allocation reserve for taxation during the sixth year following the provision year.

#### **Technical provisions**

Technical provisions comprise provision for unearned premiums and unexpired risks and provision for claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit and loss.

#### **Provision for unearned premiums and unexpired risks**

The provision for unearned premiums and unexpired risks is designed to cover the expected claims cost and operating expenses during the remaining time to maturity of insurance contracts already in force. Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. If the provision for unearned premiums is deemed to be insufficient to cover expected remaining claims costs and operating expenses, it is strengthened with a supplement for unexpired risks.

#### **Provision for claims outstanding**

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also

includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are generally used as a basis for estimating provision requirements. Individual assessments are made in the case of major separate claims and claims involving complex liability conditions. With the exception of annuities and certain insignificant amounts of accident insurance, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods and discounted to market interest rates under FFFS 2013:23. The effect of interest-rate revaluations is recognised as a financial expense or income.

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time.

#### **Review of losses**

The sufficiency of technical provisions is tested on an ongoing basis in conjunction with the annual accounts. The provisions established for claims outstanding and for unearned premiums are evaluated individually. Provisions for claims outstanding are based on estimated future payment flows. Accepted actuarial methods for the basis of forecasts of provision requirements. These methods include assessments of the current status of all contractual cash flows and other associated cash flows, for example, claims adjustment costs. Future cash flows are calculated without discounting. If testing reveals that the provisions are insufficient, the change is recognised in profit and loss.

The sufficiency of provisions for unearned premiums is tested by line of business. Any insufficiency observed in the premium liability is corrected by establishing a provision for unexpired risks. The change in the provision for unexpired risks is recognised in profit and loss.

#### **Reinsurance**

Contracts signed between Länsförsäkringar Sak and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner when the company assumes risks from other companies' insurance contracts.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

The reinsurers' portion of technical provisions corresponds to the reinsurers' responsibility for technical provisions in accordance with signed contracts. Länsförsäkringar Sak assesses the impairment requirements of assets for reinsurance contracts twice a year. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit and loss.

#### **Remuneration of employees**

##### **Current remuneration**

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. No variable remuneration is paid to employees of Länsförsäkringar Sak.

#### Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

#### Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

#### Defined-benefit pension plans

The company has a defined-benefit pension plan. The plan is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62. The company has established provisions for the potential future cost that will arise if an employee takes advantage of the benefit of retiring between the ages of 62 and 65, see note 34 Pensions and similar commitments and note 43 Pledged assets and contingent liabilities. Provisions are calculated on an actuarial basis according to assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement.

#### Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The cash-flow statement is reported using the indirect method, which means that operating profit is adjusted for transactions that do not involve receipts or payments during the period specified by the various insurance classes.

#### Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

### Principles of Länsförsäkringar Sak's risk management

Conducting insurance operations involves risk-taking. Knowledge about risks is a core area of expertise in the insurance industry. An increasingly volatile financial market, and more detailed regulations, impose more rigorous demands on financial companies, particularly risk management. The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that the own funds are adequate in relation to the risks taken. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers. The ultimate owners of the Länsförsäkringar Alliance are also its customers and, accordingly, efforts to govern, manage and control risks are of immediate importance to customers.

### Risk-management system at Länsförsäkringar Sak

Risks constitute a significant aspect of Länsförsäkringar Sak's operational environment and business activities. To manage the risks, Länsförsäkringar Sak has clearly defined strategies and areas of responsibility, together with a strong commitment to the risk-management process.

Risk-management activities are implemented as part of the daily work of all units at Länsförsäkringar Sak. The Länsförsäkringar Sak Group's risk-taking, which also includes Länsförsäkringar Gruppliv and Agria, is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5% and the company maintains a credit rating of a minimum of level A. A compatible capital adequacy target is to be presented to the Board for a decision every year. The capital target is a target for the capital ratio between available capital and risk-based capital requirements measured according to the capital-requirement rules under Solvency II. The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that the own funds are adequate in relation to the risks in the operations. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers.

A variety of analysis tools and simulation models are used at Länsförsäkringar Sak in its risk management activities. An aggregated risk profile for the company including subsidiaries is calculated and reported to the Board every quarter. Non-life insurance risk and market risk are calculated in accordance with the regulations applicable until 31 December 2015 (traffic-light model) and in accordance with an internal risk model based on the Solvency II rules, which are calibrated to indicate the risk of insolvency occurring within 12 months with a maximum of 0.5% probability.

The quarterly risk report is to provide a complete overview of the company's, including subsidiaries', risk situation, measured using the company's Solvency II adapted internal model (LIM). The reports also cover the limits set by the Board for selected parts of the management and the Solvency I rules (traffic-light model) applicable until 31 December 2015. The company has a satisfactory solvency margin measured using both models.

### Risk management organisation

The Board of Directors of Länsförsäkringar Sak is responsible for ensuring appropriate risk management and follow-up of the company's risks. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities. The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and also identifying new risks. An Own Risk and Solvency Assessment (ORSA) is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on inter-

nal rules in various governance documents. The CEO is responsible for incorporating these governance documents into the operations. Examples of Group-wide governance documents for Länsförsäkringar are the Group manual for Länsförsäkringar AB, reporting manual, guidelines for handling ethical issues, authorisation manual and security policy. In addition to the Group-wide governance documents in the Länsförsäkringar AB Group, the Länsförsäkringar Sak Group and the companies included in the Länsförsäkringar Sak Group have their own governance documents, such as the Non-life Group manual, risk policy, authorisation manual, investment guidelines and insurance policy. The governance documents are updated and then approved by the Board once each year. The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines with maximum market risk, and up-to-date sub-limits for various market-risk categories in the company. Furthermore, the Board decides on the extent and direction of reinsurance cover.

Länsförsäkringar Sak has a Risk and Capital Committee whose duties include supporting the Board's work by examining and assessing risk-taking and capital requirements.

There is an Investment Committee at management level at Länsförsäkringar Sak which prepares decisions on asset management issues. The Committee examines and prepares proposals regarding management of the company's investment assets. Representatives for Länsförsäkringar Sak's corporate management and the Asset Management Unit sit on the Committee. The Risk Control function and Compliance are co-opted to meetings.

Ongoing management and follow-ups of different risks are performed in the business operations. Each business area at Länsförsäkringar Sak is responsible for identifying, measuring, monitoring, handling and reporting risks in their own specific areas. Risks inherent in Länsförsäkringar Sak's investment assets (market risks) are managed by the Group-wide Asset Management Unit. Asset Management also manages counterparty risk in financial derivatives and operational risks in the area of asset management. Insurance risks and counterparty risk other than counterparty risk in financial derivatives are managed by each business area.

The Risk Control function is responsible for the independent risk control, which is separate from the business operations and reports to the CEO and Board. The Risk Control function is also responsible for keeping the CEO and Board continuously informed of the company's overall risk profile by submitting risk reports at least four times a year. Furthermore, the function is to ensure that annual risk analyses of operational risks are conducted in all business areas and at management level in Länsförsäkringar Sak.

Compliance is an independent control function responsible for monitoring, controlling and providing support in ensuring operations are conducted in full regulatory compliance as regard internal and external regulations. The task of the function is to identify and report on risks that may arise as a result of shortcomings in regulatory compliance and provide recommendations for action to relevant personnel, the CEO and the Board.

Internal Audit, which reports directly to the company's Board, is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

The Audit Committee monitors the quality of the financial reporting including the effectiveness of the internal control over the financial reporting. Operational risks and the corporate governance system including the systems for internal governance and control are also monitored.

### Capital planning

The management of risk-taking is closely related to the control of the use of the Non-life Group's capital. An Own Risk and Solvency Assessment

(ORSA) including a plan for financing the company's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of the capital base and risks, is to ensure that, at any given time, the Non-life Group has a sufficient buffer of capital to meet the risks generated by the operations.

The Non-life Group has own funds that exceed the statutory solvency margin requirement (Solvency I) by a healthy margin. The Non-life Group has a reporting obligation under the Swedish Financial Supervisory Authority's traffic-light model and also reported here a significant capital surplus in relation to the requirements imposed by the model. The overall risk profile under Solvency II is also reported quarterly to the Board and both the current and future regulatory requirements are taken into account to a great extent in the governance and follow-up of business decisions.

### Risk profile

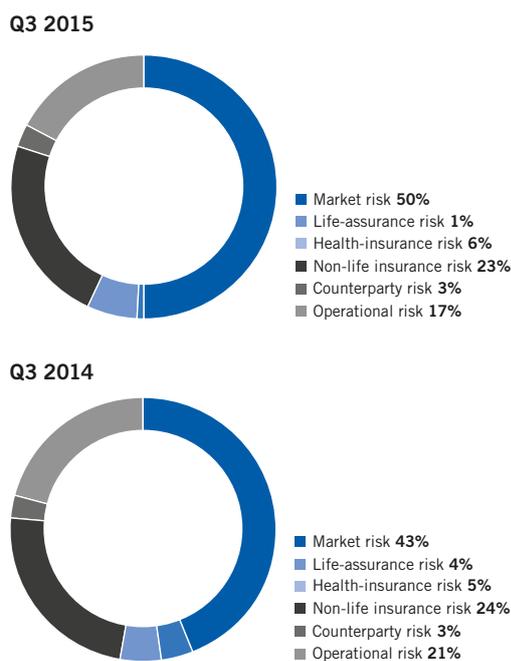
Länsförsäkringar Sak is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment. The following points describe Länsförsäkringar Sak's operations and risk-taking:

- Conducts non-life insurance operations and annuities operations.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- The operations are primarily conducted in Sweden. The company also conducts internationally assumed reinsurance.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- The risks in the investment assets managed by Länsförsäkringar Sak for own account are held at a relatively low level.
- Länsförsäkringar Sak is indirectly exposed to insurance risk, market risks and property risk that arises in its holdings in subsidiaries. The Non-life Group includes Försäkringsaktiebolaget Agria, Länsförsäkringar Grupp-liv and the property companies Utile Dulci and Länsförsäkringar Sak Fastighets AB.

The Länsförsäkringar Sak Group's overall risks are measured in the quarterly risk report, meaning that the insurance and market risks of the non-life insurance company and its subsidiaries are included in the calculation.

The figures below (figure 1 and 2) show the allocation of risk in the Länsförsäkringar Sak Group on 30 September 2015 classified by risk categories. As seen in figure 1, half of the capital requirement comprises market risks, primarily the company's investment assets where the company's property holdings account for about 80%, but also a certain amount of interest-rate risk from technical provisions. The insurance operations represent 30% and the operational risk and counterparty risk jointly comprise 20%.

**Figure 1. Specification of total capital requirement in the Länsförsäkringar Sak Group**



**Figure 2. Classification of risk at Länsförsäkringar Sak**

<b>Non-life insurance risk</b> Premium risk Reserve risk Catastrophe risk	<b>Life-assurance risk</b> Mortality risk Longevity risk Catastrophe risk	<b>Market risk</b> Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets	<b>Counterparty risk</b> Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk
<b>Operational risk</b> Internal fraud External crime Labour practices and work environment Business conditions Compliance risk Damage to physical assets Interruptions and disturbances to operations and systems Transaction management and process control		<b>Health-insurance risk</b>	<b>Liquidity risk including financing risk</b>
		<b>Business risk</b> Strategic risk Earnings risk Reputation risk	<b>Concentration risk in insurance operations</b>

The following sections describe Länsförsäkringar Sak's risks (excluding subsidiaries) and their governance and management. A brief description is provided for each specific risk and information about the level of exposure to the risk if it is possible to quantify.

### Non-life insurance risk

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. The insurer collects premiums from a large number of policyholders and undertakes to compensate them if an insured loss occurs. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavourable results may occur. Reinsurance is a strong instrument for reducing the fluctuation in the earnings of insurance operations.

The insurance operations in Länsförsäkringar Sak comprise the insurance classes Accident and Health, Commercial, Motor Hull, Motor Third-Party Liability, Marine, Air and Cargo, and Assumed Reinsurance. In 2015, business was underwritten in the insurance classes of health, health care, accident, property, marine and cargo and casualty insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor hull insurance).

The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. Where appropriate, the Board limits insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance.

Non-life insurance risks can be divided into premium risks, reserve risks and catastrophe risks. The implications of these terms and Länsförsäkringar Sak's general methods for handling these types of risk are described below.

Table 1 shows how changed premiums earned, increased claims costs and higher claims inflation impact Länsförsäkringar Sak's earnings.

**Table 1. Sensitivity analysis, non-life insurance risks, SEK M**

	Impact on profit before tax		Impact on equity	
	2015	2014	2015	2014
10% lower premium level	-211.5	-148.5	-165.0	-115.8
10% increased claims frequency or higher average claim	-120.0	-86.1	-93.6	-67.1
1% higher annual claims inflation	-141.4	-206.7	-110.3	-161.7

### Premium risk

Premium risk is the risk of losses arising due to the coming year's claims being greater than expected.

In the lines of business such as accident and health insurance, a large number of independent risks are added, resulting in a favourable balancing of risk, provided that the premium tariffs reflect the actual risk differences between the various groups in the insurance collective. Tariffs and insurance conditions are monitored regularly and adjusted when required. In other lines of business, risk selection rules are the key instruments for monitoring premium risk, alongside premium calculation. The company follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. Claims-prevention measures in the form of, for example, advisory services, further improve the company's risk.

The business activities conducted by Länsförsäkringar Sak and its subsidiaries entail that insurance risks (risk of having to pay claims, morbidity risk and life-assurance risk including catastrophe risk) are consciously taken as part of performing the business operations. Accordingly, such risks are desirable, provided that they are taken as part of executing an approved business strategy and in accordance with the regulations that have been established for each operation. The company endeavours to

maintain a favourable risk balance between different types of business and within each line of business. Insurance risk is limited by structuring insurance terms and individual insurance contracts to give a desirable level of risk exposure and by using reinsurance cover to limit risk-taking in the necessary lines of business. Catastrophe risk in insurance risk is managed through reinsurance cover. Reinsurance needs are specified based on risk analyses in the business operations with support from Business Area Reinsurance. The total risk exposure (risk appetite) in insurance risk is calculated as a part of the company's total risk in the ORSA.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance, as described above. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product. The "Guidelines for ceded reinsurance document" states the limits per counterparty and limits for retention and also limits the use of reinsurers to companies with high credit ratings. Reinsurance for motor third-party liability insurance is managed on the basis of a pool solution in the Länsförsäkringar Alliance, which in turn is protected with external reinsurance cover.

**Table 2. Reinsurance per claim incident, SEK M**

	2015		2014	
	Retention	Cover	Retention	Cover
Motor third-party liability insurance	40	300	40	300
Casualty insurance	20	300	30	300
Marine and cargo insurance	5	1,000	5	1,000
Accident insurance	20	600	20	600

The reinsurance cover described in table 2 pertains to external counterparties. The external retention for motor third-party liability cover amounts to SEK 40 M, although the retention is reduced to SEK 2 M on the basis of reinsurance in the Länsförsäkringar Alliance of SEK 38 M. In addition to the information stated in the table, reinsurance cover is also purchased for internationally assumed reinsurance.

In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance contracts extend for one calendar year. Cover for motor third-party liability insurance is adjusted to match the limits defined in the Swedish Traffic Damage Act. For claims insured abroad, there is supplementary insurance that provides unlimited cover.

### Reserve risk

Reserve risk is the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding. The total undertaking for current insurance policies and for claims outstanding gross amounted to approximately SEK 14.7 billion (15.7). An estimate of the cost of claims outstanding gross – about SEK 14.2 billion (15.2) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. The reinsurance cover described above limits risk and the provision for net claims outstanding as per 31 December 2015 amounted to SEK 3.4 M (3.7).

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed.

The average duration of Länsförsäkringar Sak's insurance portfolio is 3.4 years (4.6) and is relatively constant compared with the preceding year. Table 3 shows the trend in estimated claims costs before reinsurance.

### Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Länsförsäkringar Sak has a certain level of exposure to catastrophe risks for own account. Länsförsäkringar Sak manages common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural catastrophes where Länsförsäkringar Sak assumes a certain level of risk for own account. The other operational area where Länsförsäkringar Sak, for own account, is exposed to certain catastrophe risk is in the internationally assumed reinsurance.

#### Life-assurance risk

Life-assurance risk at Länsförsäkringar Sak derives from the annuities operations which are subject to longevity risk. Longevity risk is the risk of losses arising due to the insured living longer than assumed.

#### Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument or a property will vary due to changes in market prices.

In the management of Länsförsäkringar Sak's assets, assessments are made of the potential for favourable returns and the risk level involved for investment strategies. The aim of the company's investments is to contribute to stable positive earnings. Assets are to be invested with a suitable risk diversification to ensure that the expected returns are sufficient for the company to be able to meet its obligations and generate additional returns on the investment assets based on the approved risk level. The risk level is to be adjusted to the available capital and approved risk tolerance.

The investing activities are always to be conducted in the best interests of the policyholders. The degree of matching between assets and commitments is taken into account when investing the company's investment assets, and assets corresponding to the technical provisions are to be

invested with respect to the nature and term of the commitments. The nature and term of the commitments are taken into account in the governance of the company's liquidity risk. Satisfactory access to funds must always be maintained.

The classes of assets in asset management are equities, interest-bearing securities and property. The aim of management is to generate the highest possible returns given the selected level of risk within the framework of legal restrictions and applicable guidelines resolved by the Board. The Board assumes the overall responsibility by making decisions on the maximal market risk for the company that may not be exceeded.

The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines, allocation mandates and up-to-date sub-limits for various market-risk categories in the company.

Asset management is responsible for the daily risk monitoring in accordance with the sub-limits for the various risk categories decided by the Board, in addition to the total maximum market risk. Changes in interest rates, exchange rates, share prices and prices of commodities, as well as changes in their individual volatilities, influence the market values of financial assets and liabilities. Derivative instruments are utilised in the management of investment assets in order to enhance the efficiency of management and to hedge risk.

The sensitivity analysis in table 4 below shows the effect on profit before tax and the impact on equity of several different negative outcomes for Länsförsäkringar Sak. The table shows how changes in the financial markets affect the asset values in the portfolio and in the case of the real interest rate also the effect on annuities, which impacts the value of liabilities.

Table 3. Estimated claims costs before and after reinsurance

SEK M	2009	2010	2011	2012	2013	2014	2015	Total
At end of claim year	1,115	1,084	1,024	913	1,003	1,059	1,109	
One year later	1,121	1,272	1,095	915	884	882	0	
Two years later	1,089	1,228	1,036	963	917	0	0	
Three years later	1,087	1,181	1,038	924	0	0	0	
Four years later	1,093	1,165	997	0	0	0	0	
Five years later	1,100	1,147	0	0	0	0	0	
Six years later	1,073	0	0	0	0	0	0	
Estimated claims costs	1,073	1,147	997	924	917	882	1,109	
Accumulated claims payments	966	965	862	762	707	646	454	
Provision for claims payments	107	182	135	162	210	236	655	1,687
Provision for claims payments, older year classes								1,097
Provision for claims payments for assumed reinsurance								9,715
<b>Total provision for claims payments, gross</b>								<b>12,498</b>
Annuity reserve, gross								1,515
Claims adjustment reserve, gross								219
<b>Provision for claims outstanding, gross</b>								<b>14,233</b>
Provision for claims payments, reinsurers' portion								-9,504
Annuity reserve, reinsurers' portion								-1,306
Claims adjustment reserve, reinsurers' portion								0
<b>Provision for claims outstanding, reinsurers' portion</b>								<b>-10,810</b>
<b>Provision for claims outstanding, for own account</b>								<b>3,423</b>

**Table 4. Sensitivity analysis, market risks**

SEK M		Impact on profit before tax		Impact on equity	
		2015	2014	2015	2014
Interest-rate risk <sup>1)</sup>	1% lower interest rate	-14.8	-22.1	-11.7	-17.2
Equities risk <sup>2)</sup>	10% low share prices	-3.6	-3.8	-2.8	-2.9
Credit-spread risk	1% higher credit spread	-88.4	-96.0	-68.6	-74.9
Interest-rate risk	1% higher real interest rate	1.4	-1.7	1.1	-1.3

<sup>1)</sup> Net changes in value of investment assets including interest income, less changes in technical provisions, calculated according to the Swedish Financial Supervisory Authority's traffic-light model for which interest rates are assumed to be a minimum of zero.

<sup>2)</sup> Includes 10% lower prices on hedge funds.

#### Interest-rate risk

Interest-rate risk is the risk of losses arising due to changes in the level or volatility of market interest rates.

For the majority of Länsförsäkringar Sak's insurance undertakings, the value is not determined based on the market interest rate, according to applicable accounting rules, meaning that technical provisions are not discounted. One exception is insurance undertakings for annuities that are discounted and for which the interest-rate risk in annuities operations was managed during the year using fixed-income hedges that provide relatively sound matching of the real interest-rate risk in the reserve. However, the effect of the sensitivity to changes in interest-rate levels on all technical provisions is taken into account according to the Solvency II valuation principles and in risk calculations.

The company governs its own risk-taking with sub-limits for interest-rate risk decided by the Board, by taking into account the sensitivity of the insurance undertakings to changes in interest rates, and with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. Derivative instruments can be used to manage interest-rate risk. The insurance undertakings are presented in table 8 at the end of this note.

#### Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative assets. As stated in the balance sheet, equities exposure in Länsförsäkringar Sak is relatively low. The significant exposure that exists is primarily attributable to strategic holdings, direct exposure to equities and indirect holdings via hedge funds, although the latter is not included in the sensitivity analysis for market risk above. See notes 20, 22 and 23 for more information.

#### Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. Decisions on the size of the portion of the portfolio that is to comprise bonds or other interest-bearing instruments with credit risk are made in light of prevailing market conditions and the sub-limits for credit-spread risk decided by the Board.

As table 5 shows, the predominant proportion of Länsförsäkringar Sak's bond investments are invested in AAA-rated, Swedish government and mortgage-backed securities.

**Table 5. Credit quality of assets**

Specification of financial assets	SEK M	
	2015	2014
<b>Loans to credit institutions</b>		
A	593	1,132
<b>Total</b>	<b>593</b>	<b>1,132</b>
<b>Bonds and other interest-bearing securities<sup>1)</sup></b>		
AAA – Swedish Government	782	372
AAA – Government securities other than those issued by the Swedish Government	0	0
AAA	700	708
AA	111	86
A	183	337
BBB	338	273
BB	324	310
B	220	206
CCC	33	49
CC	1	2
No rating available	437	518
<b>Total</b>	<b>3,129</b>	<b>2,860</b>

<sup>1)</sup> Market values including accrued interest. The amount of loans to credit institutions includes SEK 521.0 M (480.5) that pertains to receivables from Länsförsäkringar Bank. These are classified as other receivables in the balance sheet

#### Currency risk

Currency risk is the risk of losses arising due to changes in the level or volatility of exchange rates. The majority of Länsförsäkringar Sak's technical provisions are denominated in SEK. The minor currency exposure that exists derives from commitments in internationally assumed reinsurance in other currencies and from investment assets. The risk is limited to the desired level by the use of currency derivatives. The table below shows the impact on Länsförsäkringar Sak's earnings from changes in exchange rates.

**Table 6. Impact on earnings at year-end of a 10% change in the exchange rate with SEK**

Currency	Impact on earnings before tax, SEK M	
	2015	2014
AUD	+0.0	+0.0
CHF	+0.2	+0.3
CNY	-0.2	+0.1
DKK	-0.3	-0.0
EUR	+0.1	+1.9
GBP	+0.0	+0.1
JPY	+0.3	+0.0
KRW	-1.4	-0.6
NOK	+0.3	+0.2
NZD	-2.2	-2.3
PLN	-0.4	+0.0
RUB	+0.3	+0.0
USD	+1.2	+1.5
INR	+0.1	-0.6

#### Property risk

Property risk is the risk of losses arising due to changes in the level or volatility of property prices. The property prices are primarily an effect of the assumptions made on applicable yield requirements and rental levels.

The property risk in Länsförsäkringar Sak derives from the ownership of the office property in Stockholm that the Länsförsäkringar AB Group utilises for its operations, and holdings in a property company wholly owned by the Länsförsäkringar Alliance.

## Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that any collateral provided not covering the receivable. Länsförsäkringar Sak's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives and cash in hand.

Counterparty risks to reinsurers pertain to reinsurance receivables and reinsurers' portions of claims outstanding. Predetermined regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. For business with long settlement periods, reinsurers are to have a minimum A rating from the Standard & Poor's rating agency and a minimum BBB rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers, which guarantees overall high quality receivables. Table 7 shows the specification of rating category for purchased reinsurance cover for the Länsförsäkringar Sak Group, which includes Länsförsäkringar Sak, Agria and Länsförsäkringar Gruppliv.

The largest total reinsurance receivable to a single company in 2015 was MÜNCHENER RÜCK (Partner RE) and comprised 13.5% (15) of the total external reinsurance receivable. The 10 largest reinsurance receivables comprising 64% (46) of the total external reinsurance receivables all had a rating of A or higher.

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

**Table 7. Distribution of exposure of externally purchased reinsurance cover for the Länsförsäkringar Sak Group**

Exposure for externally purchased cover for 2014 and 2015	Percentage distribution per rating category	
	2015	2014
AAA	–	–
AA	44	39
A	54	45
BBB	1	13
No rating available <sup>1)</sup>	1	3
<b>Total</b>	<b>100</b>	<b>100</b>

<sup>1)</sup> 50% of Agria's reinsurance is with the regional insurance companies.

## Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events. Operational risks are a part of the operations of Länsförsäkringar Sak and its subsidiaries. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Sak and its subsidiaries can reduce the probability of operational risks materialising and thus reduce their consequences. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

Operational risk analyses are performed annually both at company level and in the operating activities. A joint method and reporting format are used in these analyses. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter. The Risk Control function facilitates analyses and aggregates results to each company's management group and Board. Risk Control also monitors and reports the implementation of the action plans during the year and performs checks to ensure the quality of the results of actions performed.

Shared system support for the entire Länsförsäkringar AB Group is used for incident management. Furthermore, a continuity plan is adopted annually by executive management. Business-critical processes and their associated risks have been analysed and documented to strengthen the internal control. In conjunction with this, the most important controls, known as key controls, were also documented.

## Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions. Business risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the Länsförsäkringar Sak Group's markets require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

## Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives, discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. Länsförsäkringar Sak's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

Länsförsäkringar Sak's investment assets are divided into several different classes of assets, however the focus is the strategic property holdings, which comprises the properties in which the company's office is located (Tegeluddsvägen in central Stockholm).

The greatest single investment asset on 31 December 2015 was the property in Stockholm that is owned indirectly through subsidiaries and that the Group utilises. The property's market value amounted to SEK 2,470 M (2,175) at year-end, corresponding to 28.6% (35.7) of the investment assets. The other major exposures pertain to the four largest Swedish bank groups and mainly derive from investments in mortgage bonds.

## Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. The non-life insurance companies' liquidity risks are low since premiums are received in advance and large claims payments are known well in advance of their maturity dates. In addition, most of the investment assets are available at short notice. Länsförsäkringar Sak's liquidity was highly favourable at year-end with cash and cash equivalents amounting to SEK 72.1 M (651.1). The high liquidity for 2014 was due to the transfer of the run-off motor third-party liability insurance and annuities portfolio to the regional insurance companies that took place at that time. The investment guidelines stipulate limits for the desired level of liquidity.

Table 8 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows.

**Table 8. Maturity analysis for financial assets and liabilities and insurance undertakings**

SEK M	2015					2014				
	<3 months	3 months –1 year	1–5 years	> 5 years	Total	<3 months	3 months –1 year	1–5 years	> 5 years	Total
<b>Assets</b>										
Interest-bearing securities issued by Group companies and loans to Group companies	8	1	62	514	585	29	27	141	947	1,144
Bonds and other interest-bearing securities <sup>1)</sup>	714	81	1,078	94	1,967	477	67	836	77	1,457
Other receivables	11	–	–	–	11	166	–	–	–	166
Prepaid expenses and accrued income	15	–	–	–	15	21	–	–	–	21
<b>Liabilities</b>										
Technical provisions <sup>2)</sup>	699	1,788	4,023	6,713	13,223	661	1,771	3,809	7,874	14,115
Other liabilities	444	–	–	–	444	294	–	–	–	294
Accrued expenses and deferred income	11	–	–	–	11	10	–	–	–	10
<b>Total cash flows, net</b>	<b>–406</b>	<b>–1,706</b>	<b>–2,883</b>	<b>–6,105</b>	<b>–11,100</b>	<b>–272</b>	<b>–1,677</b>	<b>–2,832</b>	<b>–6,850</b>	<b>–11,631</b>
Derivatives, in and outflows, net	–	–	–	–	–	–55	2	8	16	–29
<b>Total cash flows for financial assets and liabilities and insurance undertakings</b>	<b>–406</b>	<b>–1,706</b>	<b>–2,883</b>	<b>–6,105</b>	<b>–11,100</b>	<b>–327</b>	<b>–1,675</b>	<b>–2,824</b>	<b>–6,834</b>	<b>–11,660</b>

<sup>1)</sup> The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and have been excluded from the table.

<sup>2)</sup> Technical provisions are recognised gross, before ceded reinsurance.

### Solvency II – future risk-based regulatory requirements

Länsförsäkringar Sak has made significant progress in the Solvency II preparations. The primary focus of the Solvency II work in 2015 was completing the implementation of the regulations. This preparatory work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and developing improved calculation tools for balancing risk-taking with opportunities for yielding returns.

During the year, Länsförsäkringar Sak, together with the other insurance companies in the Länsförsäkringar AB Group, applied to

the Swedish Financial Supervisory Authority for permission to use a partial internal model for reporting its solvency capital requirements. The company will thus be able to work with measures of capital requirement that are better aligned with the specific risks of the company than those in the standard formula of the rules. Länsförsäkringar Sak intends to calculate the solvency capital requirement for parts of its market risk and non-life insurance risk by using the internal model. Other risk are calculated using the standard formula. The subsidiary Försäkringsaktiebolaget Agria will use the internal model in the same way, but the subsidiary Länsförsäkringar Grupplivförsäkring will use the standard formula instead.

### 3 PREMIUM INCOME

	2015	2014
Direct insurance, Sweden	1,645.2	1,550.1
Direct insurance, other EEA	5.2	6.4
Assumed reinsurance	2,042.4	4,329.5
<b>Total</b>	<b>3,692.8</b>	<b>5,886.0</b>

### 4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS

	2015	2014
Transferred investment income	35.9	115.4
<b>Interest rates, %</b>		
Provisions for insurance policies with long-term claims in run-off, SEK	1.25	1.9
Provisions for insurance policies with short-term claims in run-off, SEK	0.5	1.0

The estimated return on the assets corresponding to the technical provisions is transferred from the financial operations to the technical result. The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The investment income is divided into two parts. Part is added to the annuities result by reducing the cost for the upward adjustment of the provision for annuities, and part is recognised as transferred investment income (see also Accounting policies).

### 5 CLAIMS PAID

	2015	2014
Claims paid <sup>1)</sup>	-1,327.0	-6,258.1
Operating expenses for claims adjustment	-139.7	-159.1
<b>Total</b>	<b>-1,466.7</b>	<b>-6,417.2</b>

<sup>1)</sup> Of which reinsurers' portion of annuity quota - -1,359.5

### 6 OPERATING EXPENSES

Total operating expenses by type of cost	2015	2014
Staff costs	-192.0	-180.3
Costs for premises	-15.0	-23.8
Depreciation/amortisation	-3.3	-11.5
Service income	27.8	26.3
Other expenses	-432.9	-411.0
<b>Total</b>	<b>-615.4</b>	<b>-600.3</b>

Total operating expenses by function	2015	2014
Operating expenses in asset management	-31.4	-28.9
Operating expenses for claims adjustment	-139.7	-159.1
Operating expenses for procurement and administration	-444.3	-412.3
<b>Total</b>	<b>-615.4</b>	<b>-600.3</b>

Operating expenses	2015	2014
Acquisition costs <sup>1)</sup>	-322.8	-282.0
Change in Prepaid acquisition costs	-10.9	-3.2
Administration expenses	-140.8	-222.8
Commission and profit shares in ceded reinsurance	30.2	95.7
<b>Total</b>	<b>-444.3</b>	<b>-412.3</b>

<sup>1)</sup> Of which, commission for direct insurance -88.6 -86.6

Of which, expenses for the leasing of premises, equipment and IT equipment -99.2 -82.4

The company rents premises, equipment and IT equipment from the Parent Company, Länsförsäkringar AB.

### 7 FEES AND REMUNERATION OF AUDITORS

The following fees have been paid to auditors

	2015	2014
KPMG AB, audit assignments	1.3	1.4
KPMG AB, tax consulting	-	0
KPMG AB, other services	-	-

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and CEO, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments. Everything else comes under Other assignments.

### 8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2015	2014
Men	61	61
Women	98	90
<b>Total number of employees</b>	<b>159</b>	<b>151</b>

Salaries and other remuneration, as well as social security expenses, other employees	2015	2014
Salaries and remuneration	95.5	88.2
of which, variable remuneration	-	-
Social security expenses	65.6	59.8
of which, pension costs	28.5	24.9
	<b>161.1</b>	<b>148.0</b>

Board of Directors and senior executives, 13 (15)	2015	2014
Salaries and remuneration	9.9	9.8
of which, fixed salary to CEO	3.4	3.2
of which, variable salary to CEO	-	-
of which, fixed salary to other senior executives	5.2	6.4
of which, variable salary to other senior executives	-	-
Social security expenses	7.3	8.0
of which, pension costs	3.4	4.7
	<b>17.2</b>	<b>17.8</b>

Total salaries, other remuneration and social security expenses	2015	2014
Salaries and remuneration	105.3	98.0
of which, variable remuneration	-	-
Social security expenses	73.0	67.9
of which, pension costs	31.9	29.7
	<b>178.3</b>	<b>165.9</b>

#### Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

#### Remuneration of senior executives

Remuneration of the CEO and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the CEO and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the CEO, comprise corporate management.

## 8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

### Remuneration and other benefits for senior executives (Amount in SEK 000s)

	Basic salary	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
<b>2015</b>					
Ann Sommer, CEO	3,365	2	1,329	4,696	39
Ricard Robbstål, Board member	149	–	–	149	
Göran Spetz, Board member	256	–	–	256	
Mariette Nicander, Board member	262	–	–	262	
Carl Henrik Ohlsson, Board member	260	–	–	260	
Magnus Olsson, Board member	256	–	–	256	
Ingemar Larsson, former Board member	137	–	–	137	
Other senior executives					
Parent Company (4 individuals)	4,949	247	2,089	7,285	39
Subsidiaries (2 individuals)	4,276	4	1,940	6,220	37
<b>Total 2015</b>	<b>13,910</b>	<b>253</b>	<b>5,358</b>	<b>19,521</b>	
<b>Total remuneration from Parent Company</b>	<b>9,634</b>	<b>249</b>	<b>3,418</b>	<b>13,301</b>	
<b>Total remuneration from subsidiaries</b>	<b>4,276</b>	<b>4</b>	<b>1,940</b>	<b>6,220</b>	
<b>2014</b>					
Ann Sommer, CEO	3,175	2	1,399	4,576	44
Ingemar Larsson, Board member	183	–	–	183	
Göran Spetz, Board member	223	–	–	223	
Mariette Nicander, Board member	241	–	–	241	
Carl Henrik Ohlsson, Board member	223	–	–	223	
Magnus Olsson, Board member	149	–	–	149	
Ann-Christin Norrström, former Board member	111	–	–	111	
Axel von Stockenström, former Board member	74	–	–	74	
Mikael Sundquist, former Board member	111	–	–	111	
Other senior executives					
Parent Company (5 individuals)	6,345	98	3,356	9,799	52
Subsidiaries (2 individuals)	4,117	9	1,884	6,010	45
<b>Total 2014</b>	<b>14,952</b>	<b>109</b>	<b>6,639</b>	<b>21,700</b>	
<b>Total remuneration from Parent Company</b>	<b>10,835</b>	<b>100</b>	<b>4,755</b>	<b>15,690</b>	
<b>Total remuneration from subsidiaries</b>	<b>4,117</b>	<b>9</b>	<b>1,884</b>	<b>6,010</b>	

Pension costs pertain to the impact on net profit for the year.

#### Pensions

The retirement age for the CEO is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 18% of the pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

#### Severance pay

A mutual period of notice of three months applies to the CEO. If termination of employment is issued by the company, the CEO is also to be entitled to severance pay corresponding to 24 monthly salaries during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

#### Preparation and decision-making process applied in relation to the issue of remuneration of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

#### Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

#### Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

#### Fixed remuneration

Fixed remuneration is paid according to the general policy above.

#### Pensions

Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

#### Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %	31 Dec 2015	31 Dec 2014
Board members	38	40
Other senior executives	29	25

## 9 OTHER TECHNICAL EXPENSES

31 Dec 2015

Specification	Premiums & Motor third-party liability fees	Claims payments net after deductible	Investment income	Total deduction from Swedish Motor Insurers Other technical expenses
Forecast	2.7	-3.4	0.0	-0.7
Deduction	-0.2	0.2	-0.0	-0.0
<b>Total</b>	<b>2.5</b>	<b>-3.2</b>	<b>-0.0</b>	<b>-0.7</b>

31 Dec 2014

Specification	Premiums & Motor third-party liability fees	Claims payments net after deductible	Investment income	Total deduction from Swedish Motor Insurers Other technical expenses
Forecast	2.5	-3.8	0.2	-1.1
Deduction	0.1	-18.6	0.0	-18.5
<b>Total</b>	<b>2.6</b>	<b>-22.4</b>	<b>0.2</b>	<b>-19.5</b>

## 10 INVESTMENT INCOME, REVENUE

	2015	2014
<b>Dividends</b>		
Dividends on shares and participations	450.1	-
<b>Interest income</b>		
Bonds and other interest-bearing securities <sup>1)</sup>	18.3	85.0
Derivatives	9.9	28.0
Interest-bearing securities issued by Group companies and loans to Group companies	2.6	25.7
Interest income for financial assets that are not measured at fair value in profit and loss <sup>1)</sup>	10.0	10.8
Translation gain, annuity reserve	0.3	-
Exchange-rate gains, net	1.6	6.8
<b>Capital gains</b>		
Shares and participations	-	-
Profit from participations in partnerships (Group companies)	133.8	113.7
Bonds and other interest-bearing securities	82.1	568.6
Interest-bearing securities issued by Group companies and loans to Group companies	7.4	4.0
Other financial investments assets	3.0	-
<b>Total</b>	<b>719.1</b>	<b>842.6</b>

<sup>1)</sup> Of which negative interest rate on interest bearing securities on 5.6 M.

## 11 UNREALISED GAINS ON INVESTMENT ASSETS

	2015	2014
Shares and participations	5.1	4.1
Bonds and other interest-bearing securities	-	90.9
Derivatives	-	1.7
Other financial investment assets	-	21.8
<b>Total</b>	<b>5.1</b>	<b>118.5</b>

## 12 INVESTMENT INCOME, EXPENSES

	2015	2014
Asset management expenses	-31.4	-28.9
<b>Interest expense</b>		
Derivatives	-9.5	-3.8
Bonds and other interest-bearing securities	-0.3	-
Interest expense for financial liabilities that are not measured at fair value in profit and loss	-0.6	-1.0
Translation, annuity reserve	-	-427.6
<b>Capital losses</b>		
Other financial investment assets	-	-0.3
Derivatives	-20.6	-206.2
Impairment of shares in Group companies	-	-100.0
<b>Total</b>	<b>-62.4</b>	<b>-767.8</b>

## 13 UNREALISED LOSSES ON INVESTMENT ASSETS

	2015	2014
Bonds and other interest-bearing securities	-117.1	-
Interest-bearing securities issued by Group companies	-8.3	-3.1
Derivatives	-5.5	-
Other financial investment assets	-11.0	-
<b>Total</b>	<b>-141.9</b>	<b>-3.1</b>

## 14 INVESTMENT INCOME, PER MEASUREMENT CATEGORY

Gain/loss by measurement category	2015	2014
Financial assets measured according to fair value option	-8.4	803.8
Held for trading	-25.5	-180.4
Loans and receivables	-0.2	2.6
Other financial liabilities	-0.4	-0.6
<b>Items not specified by category</b>		
Exchange-rate gains	1.6	6.8
Translation, annuity reserve	0.3	-427.6
Asset management expenses	-31.4	-28.9
Non-financial items included in investment income, net	582.8	-19.4
<b>Total</b>	<b>518.8</b>	<b>156.3</b>

## 15 OTHER NON-TECHNICAL EXPENSES

	2015	2014
Amortisation, goodwill	-11.9	-28.9
<b>Total</b>	<b>-11.9</b>	<b>-28.9</b>

## 16 TAXES

	2015	2014
Current tax	-107.5	-65.5
<b>Total current tax</b>	<b>-107.5</b>	<b>-65.5</b>
<b>Deferred tax</b>		
Deferred tax expense pertaining to temporary differences	2.2	2.2
<b>Total deferred tax</b>	<b>2.1</b>	<b>2.2</b>
<b>Total recognised tax income/expense</b>	<b>-105.3</b>	<b>-63.3</b>

	2015	2014
<b>Reconciliation of effective tax rate</b>		
Profit before tax	922.4	280.2
Tax at applicable tax rate	-202.9	-61.6
Tax on non-deductible costs	-4.2	-7.1
Tax on non-taxable income	103.7	3.5
Tax attributable to earlier years	-1.9	1.9
<b>Total tax on net profit for the year</b>	<b>-105.3</b>	<b>-63.3</b>
Current tax rate, %	22.0%	22.0%
Effective tax rate, %	11.4%	22.6%

Recognised deferred tax assets and tax liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	2015	2014	2015	2014	2015	2014
<b>31 December</b>						
Receivables	-2.4	-2.8	-	12.8	-2.4	10.0
Liabilities			10.2	-	10.2	-
<b>Deferred tax assets (-) / deferred tax liabilities (+)</b>	<b>-2.4</b>	<b>-2.8</b>		<b>12.8</b>	<b>7.8</b>	<b>10.0</b>
Offset	-	-	-	-	-	-
<b>Net deferred tax asset (-) / deferred tax liability (+)</b>	<b>2.4</b>	<b>-2.8</b>	<b>10.2</b>	<b>12.8</b>	<b>7.8</b>	<b>10.0</b>

The company has no temporary differences with tax effects in Group or associated companies.

Change in deferred tax in temporary differences and loss carryforwards

	Amount at 1 January	Recognised in equity	Recognised in profit and loss	Amount at 31 December
Receivables	10.0	-	-12.4	-2.4
Liabilities	-	-	10.2	10.2
<b>Deferred tax assets (-) / deferred tax liabilities (+)</b>	<b>10.0</b>	<b>-</b>	<b>-2.2</b>	<b>7.8</b>

## 17 PROPERTY AND EQUIPMENT

	31 Dec 2015	31 Dec 2014
<b>Cost</b>		
Opening cost, 1 January	7.7	4.3
Acquisitions for the year	1.8	3.7
Divestments during the year	-2.2	-0.3
<b>Closing cost, 31 December</b>	<b>7.3</b>	<b>7.7</b>
<b>Depreciation</b>		
Opening accumulated depreciation, 1 January	-1.9	-0.9
Depreciation for the year	-1.3	-1.1
Accumulated depreciation for divestments	0.9	0.1
<b>Closing accumulated depreciation, 31 December</b>	<b>-2.3</b>	<b>-1.9</b>
<b>Carrying amount, 31 December</b>	<b>5.0</b>	<b>5.8</b>

No impairment losses were recognised.

## 18 GOODWILL

	31 Dec 2015	31 Dec 2014
<b>Capitalised acquisition cost of goodwill</b>		
Opening cost	144.4	144.4
<b>Closing cost</b>	<b>144.4</b>	<b>144.4</b>
<b>Amortisation</b>		
Opening accumulated amortisation	-132.5	-103.6
Amortisation for the year	-11.9	-28.9
<b>Closing accumulated amortisation</b>	<b>-144.4</b>	<b>-132.5</b>
<b>Carrying amount at year-end</b>	<b>0.0</b>	<b>11.9</b>

**19** OTHER INTANGIBLE ASSETS

	Internally developed IT systems	Acquired IT systems	Acquired customer- based assets	Total
<b>Accumulated cost</b>				
Opening cost, 1 January 2014	142.4	26.5	322.8	491.7
Acquisitions for the year	–	–	–	–
<b>Closing cost, 31 December 2014</b>	<b>142.4</b>	<b>26.5</b>	<b>322.8</b>	<b>491.7</b>
Opening cost, 1 January 2015	142.4	26.5	322.8	491.7
Acquisitions for the year	–	–	–	–
<b>Closing cost, 31 December 2015</b>	<b>142.4</b>	<b>26.5</b>	<b>322.8</b>	<b>491.7</b>
<b>Accumulated amortisation</b>				
Opening amortisation, 1 January 2014	–66.6	–2.9	–315.4	–384.9
Amortisation for the year	–1.2	–1.8	–7.4	–10.4
<b>Closing amortisation, 31 December 2014</b>	<b>–67.8</b>	<b>–4.7</b>	<b>–322.8</b>	<b>–395.3</b>
Opening amortisation, 1 January 2015	–67.8	–4.7	–322.8	–395.3
Amortisation for the year	–	–1.7	–	–1.8
<b>Closing amortisation, 31 December 2015</b>	<b>–67.8</b>	<b>–6.4</b>	<b>–322.8</b>	<b>–397.0</b>
<b>Accumulated impairment</b>				
Opening impairment, 1 January 2014	–74.6	–	–	–74.6
<b>Closing impairment, 31 December 2014</b>	<b>–74.6</b>	<b>–</b>	<b>–</b>	<b>–74.6</b>
Opening impairment, 1 January 2015	–74.6	–	–	–74.6
<b>Closing impairment, 31 December 2015</b>	<b>–74.6</b>	<b>–</b>	<b>–</b>	<b>–74.6</b>
<b>Carrying amount</b>				
<b>31 Dec 2014</b>	<b>0.0</b>	<b>21.8</b>	<b>0.0</b>	<b>21.8</b>
<b>31 Dec 2015</b>	<b>0.0</b>	<b>20.1</b>	<b>0.0</b>	<b>20.1</b>

## 20 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Participating interest	Carrying amount, property	Market value, property	Equity 31 Dec 31 Dec 2015	Of which profit 2015	Carrying amount 31 Dec 2015	Fair Value
Försäkringsaktiebolaget Agria (publ)	516401-8003	Stockholm	40,000	100	–	–	324.3	168.3	823.8	972.8
Länsförsäkringar Sak Fastighets AB	556683-6416	Stockholm	1,000	100	67.9	599.9	68.0	0.0	68.0	599.9
Länsförsäkringar Grupplivförsäkrings AB (publ)	516401-6692	Stockholm	28,000	100	–	–	218.3	5.3	238.2	254.5
Utile Dulci 2 HB	916601-0067	Stockholm	3,996	99.9	1,222.8	2,470.0	772.3	133.8	968.8	1,988.5
<b>Total 31 Dec 2015</b>							<b>1,382.9</b>	<b>307.4</b>	<b>2,099.4</b>	<b>3,815.7</b>
<b>Total 31 Dec 2014</b>							<b>1,526.6</b>	<b>277.3</b>	<b>1,965.7</b>	<b>3,477.1</b>

All of the shares and participations in Group companies are unlisted.

Cost	31 Dec 2015	31 Dec 2014
Opening balance	2,065.7	1,952.0
Capital gains from partnerships	133.7	113.7
<b>Closing balance</b>	<b>2,199.4</b>	<b>2,065.7</b>
<b>Accumulated impairment</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Opening balance	–100.0	0.0
Impairment for the year	–	–100.0
<b>Closing balance</b>	<b>–100.0</b>	<b>–100.0</b>
<b>Carrying amount</b>	<b>2,099.4</b>	<b>1,965.7</b>

## 21 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

	31 Dec 2015	31 Dec 2014
Promissory notes to Utile Dulci 2 HB	509.0	620.0
Subordinated debentures, Länsförsäkringar Bank AB (publ)	–	306.9
Commercial papers issued by Länsförsäkringar Bank	8.0	–
Listed bonds, Länsförsäkringar Hypotek AB (publ)	26.9	67.0
Listed bonds, Länsförsäkringar Bank AB (publ)	38.7	70.3
<b>Total</b>	<b>582.7</b>	<b>1,064.2</b>

The loan to Utile Dulci 2 HB is current. The interest rate is determined by Stibor, three months of the first business day of the relevant period. If negative Stibor the interest rate is set to 0 %.

## 22 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Share of equity, %	Equity 31 Dec 2015	Profit 2015	Carrying amount 31 Dec 2015	Carrying amount 31 Dec 2014	Fair Value
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0	0.0	0.0	0.0
CAB Group AB	556131-2223	Örebro	1,582	28.8	93.5	8.1	10.7	10.7	26.9
European Alliance Partners Company AG <sup>1)</sup>	CH-0203026423-1	Zürich	10,570	14.3	71.4	2.0	6.8	6.8	10.2
<b>Total</b>					<b>164.9</b>	<b>10.1</b>	<b>17.5</b>	<b>17.5</b>	<b>37.1</b>

All shares and participations are unlisted.

Cost	31 Dec 2015	31 Dec 2014
Opening balance	17.5	17.5
<b>Closing balance</b>	<b>17.5</b>	<b>17.5</b>
<b>Total carrying amount</b>	<b>17.5</b>	<b>17.5</b>
<b>Total Fair value</b>	<b>37.1</b>	<b>35.2</b>

### Summary of financial information pertaining to associated companies

Information pertains to Länsförsäkringar Sak's participating interest

	2015	2014
Income	59.1	60.4
Earnings	2.6	9.5
Assets	59.9	52.3
Liabilities	22.8	17.1
Equity	37.1	35.2

<sup>1)</sup> The reason that European Alliance Partners Company AG is classified as an associated company despite the fact that the participating interest is less than 20% is that Länsförsäkringar Sak is deemed to have a significant influence in the company. Länsförsäkringar Sak is represented on the company's Board of Directors and is entitled to participate in all decisions to be made, including strategic issues and issues regarding guidelines, budget and business plans. Furthermore, a large amount of information is exchanged with the company.

## 23 SHARES AND PARTICIPATIONS

	31 Dec 2015	31 Dec 2014
Unlisted shares and participations	35.9	37.6
<b>Total</b>	<b>35.9</b>	<b>37.6</b>
Cost	155.3	154.9

## 24 BONDS AND OTHER INTEREST-BEARING SECURITIES

	31 Dec 2015	31 Dec 2014
<b>Issued by</b>		
Swedish government	781.3	369.2
Swedish mortgage institutions	411.0	373.6
Other Swedish issuers	879.9	635.4
Other foreign issuers	1,317.0	1,464.9
<b>Total</b>	<b>3,389.2</b>	<b>2,843.1</b>
Amortised cost	3,293.7	2,603.6
<b>Market Status</b>		
Securities listed	3,289.2	2,812.1
Securities unlisted	100.0	31.0
<b>Total</b>	<b>3,389.2</b>	<b>2,843.1</b>
<b>Carrying amounts of the securities compared with their nominal amounts</b>		
<b>Total surplus</b>	<b>108.7</b>	<b>140.2</b>
<b>Total deficit</b>	<b>-5.3</b>	<b>-0.6</b>

## 25 DERIVATIVES

	Carrying amount 31 Dec 2015	Nominal amount 31 Dec 2015	Carrying amount 31 Dec 2014	Nominal amount 31 Dec 2014
<b>Derivatives with positive values or valued at zero</b>				
Equity derivatives	0.0	0.0	-	-
Interest-rate derivatives	0.8	-266.2	2.4	-226.1
Currency derivatives	27.4	1,474.9	12.1	-409.4
	<b>28.2</b>	<b>1,208.7</b>	<b>14.5</b>	<b>-635.5</b>
<b>Derivatives with negative values</b>				
Equity derivatives	0.1	1.0	-	-
Interest-rate derivatives	3.8	66.3	0.0	5.0
Currency derivatives	13.7	-440.0	67.3	1 478.6
	<b>17.6</b>	<b>-372.7</b>	<b>67.3</b>	<b>1 483.6</b>

## 26 RECEIVABLES, DIRECT INSURANCE

	31 Dec 2015	31 Dec 2014
Receivables, policyholders	310.2	352.7
Receivables, insurance brokers	6.7	43.6
Receivables, insurance companies	13.8	7.5
<b>Total</b>	<b>330.7</b>	<b>403.8</b>

## 29 PREPAID ACQUISITION COSTS

	31 Dec 2015	31 Dec 2014
Opening prepaid costs	20.8	24.0
Amortisation for the year	-20.8	-24.0
Provision for the year	9.9	20.8
<b>Total</b>	<b>9.9</b>	<b>20.8</b>

All acquisition costs have an amortisation period of less than one year.

## 27 OTHER RECEIVABLES

	31 Dec 2015	31 Dec 2014
Receivables, Group companies	529.6	501.6
Receivables, Parent Company	80.0	98.3
Receivables, Länsförsäkringar Liv Försäkrings AB	0.0	1.6
Other receivables	-20.7	145.5
<b>Total</b>	<b>588.9</b>	<b>747.0</b>

## 30 OTHER PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2015	31 Dec 2014
Other accrued income	2.4	2.5
Other prepaid expenses	13.8	18.3
<b>Total</b>	<b>16.2</b>	<b>20.8</b>

## 28 ACCRUED INTEREST INCOME

	31 Dec 2015	31 Dec 2014
Accrued interest rates pertaining to Group companies	0.4	1.2
Other accrued interest rates	10.0	9.2
<b>Total</b>	<b>10.4</b>	<b>10.4</b>

## 31 UNTAXED RESERVES

	2015	2014
Contingency reserve	1,138.9	1,138.9
<b>Tax allocation reserve</b>		
Reserve for 2012	16.7	16.7
Reserve for 2013	10.0	10.0
Reserve for 2014	39.6	39.6
Reserve for 2015	49.7	-
Closing balance 31 december	116.0	66.3
<b>Total</b>	<b>1,254.9</b>	<b>1,205.1</b>

## 32 UNEARNED PREMIUMS AND UNEXPIRED RISKS

	31 Dec 2015			31 Dec 2014		
	Gross	Reinsurers portion	Net	Gross	Reinsurers portion	Net
<i>Unearned premiums</i>						
Opening balance	479.3	8.3	471.0	466.3	14.4	451.9
Provisions during the period	19.5	7.2	12.3	4.8	-6.3	11.1
Exchange-rate changes	1.5	-0.1	1.6	8.2	0.2	8.0
<b>Closing balance</b>	<b>500.2</b>	<b>15.4</b>	<b>484.9</b>	<b>479.3</b>	<b>8.3</b>	<b>471.0</b>
<i>Unexpired risk</i>						
Opening balance	9.7	-	9.7	6.8	-	6.8
Provisions during the period	-5.0	-	-5.0	2.9	-	2.9
<b>Closing balance</b>	<b>4.7</b>	<b>-</b>	<b>4.7</b>	<b>9.7</b>	<b>-</b>	<b>9.7</b>
<b>Total of unearned premiums and unexpired risks</b>	<b>505.0</b>	<b>15.4</b>	<b>489.6</b>	<b>489.0</b>	<b>8.3</b>	<b>480.7</b>

## 33 CLAIMS OUTSTANDING

	31 Dec 2015			31 Dec 2014		
	Gross	Reinsurers portion	Net	Gross	Reinsurers portion	Net
Claims incurred and reported	6,183.1	4,362.7	1,820.4	6,198.6	2,712.5	3,486.1
Claims incurred but not reported	7,197.2	5,780.9	1,416.3	7,221.9	4,473.3	2,748.6
Annuities	1,568.9	1,359.5	209.4	4,339.8	-	4,339.8
Claims adjustment costs	245.0	-	245.3	254.2	3.5	250.7
<b>Total opening balance</b>	<b>15,194.2</b>	<b>11,503.0</b>	<b>3,691.2</b>	<b>18,014.5</b>	<b>7,189.3</b>	<b>10,825.2</b>
Provisions for the period	-946.9	-685.4	-261.5	3,388.6	3,091.0	297.6
Exchange-rate changes	-15.4	-	-15.4	65.1	15.5	49.6
Effect of interest-rate revaluations for annuities	0.9	-7.9	8.8	427.6	-	427.6
Upward adjustment of provision for annuities <sup>1)</sup>	-	-	-	34.0	-	34.0
<b>Transfer of motor third-party liability and annuities business</b>						
Transferred insurance portfolio	-	-	-	-2,088.6	-	-2,088.6
Reinsurance of motor third-party liability insurance	-	-	-	-	2,566.7	-2,566.7
Transfer of annuities	-	-	-	-4,647.0	-1,359.5	-3,287.5
<b>Total change for the year</b>	<b>-961.4</b>	<b>-693.3</b>	<b>-268.1</b>	<b>-2,820.3</b>	<b>4,313.7</b>	<b>-7,134.0</b>
Claims incurred and reported	5,392.7	3,749.0	1,643.7	6,183.1	4,362.6	1,820.5
Claims incurred but not reported	7,105.7	5,754.8	1,350.9	7,197.2	5,780.9	1,416.3
Annuities	1,515.5	1,305.9	209.6	1,568.9	1,359.5	209.4
Claims adjustment costs	218.9	-	218.9	245.0	-	245.0
<b>Total closing balance</b>	<b>14,232.8</b>	<b>10,809.7</b>	<b>3,423.1</b>	<b>15,194.2</b>	<b>11,503.0</b>	<b>3,691.2</b>

<sup>1)</sup> Note that Transferred investment income does not include provision for annuities, and the discount rate for the annuities is 2.65%.

## 34 PENSIONS AND SIMILAR COMMITMENTS

Provision for early retirement in accordance with pension agreement	31 Dec 2015	31 Dec 2014
Opening balance	24.1	27.7
Provision(+)/reversal (-) for the year	-1.0	-3.6
<b>Closing balance</b>	<b>23.1</b>	<b>24.1</b>

Of pension provisions, SEK 8.0 M (8.3) pertains to the 62-years-of-age rule. According to the pension agreement for the insurance sector, persons born in 1955 or earlier can voluntarily retire at the age of 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 40% will utilise the option for early retirement. The remaining 60% is recognised under contingent liabilities.

## 35 OTHER PROVISIONS

	31 Dec 2015	31 Dec 2014
Provision for contractual obligations	9.4	10.9
Other provisions	1.4	1.3
<b>Total</b>	<b>10.8</b>	<b>12.2</b>

## 36 LIABILITIES, DIRECT INSURANCE

	31 Dec 2015	31 Dec 2014
Liabilities to policyholders	297.5	295.5
Liabilities, insurance brokers	6.5	3.6
Liabilities, insurance companies	289.2	1,193.3
<b>Total</b>	<b>593.2</b>	<b>1,492.4</b>

## 38 PENSIONS

### Defined-benefit pension plans

The company has a defined-benefit pension plan that is a pension agreement for 2006 for the insurance sector. Persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. In addition to this plan, there

	31 Dec 2015	31 Dec 2014
<b>Pension commitments</b>		
Provisions for pensions	4.1	4.6
Other provisions	11.0	11.6
<b>Total</b>	<b>15.1</b>	<b>16.2</b>
Of the amounts recognised as Pension provisions, only the following amounts are encompassed by the Swedish Pension Obligations Vesting Act.	4.1	4.6
<b>The year's change in capital value of own commitments for which there are no separated assets</b>		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	11.6	14.3
Income/expense excluding interest expense that impacted earnings	-0.6	-2.7
Interest expense	0.0	0.0
<b>Capital value at 31 December</b>	<b>11.0</b>	<b>11.6</b>
<b>The year's change in capital value of own commitments which are wholly or partly covered by separated assets:</b>		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	4.6	6.2
Pensions paid	-0.9	-0.9
Other change in capital value	0.4	-0.7
<b>Capital value at 31 December</b>	<b>4.1</b>	<b>4.6</b>
<b>Change for the year in the total capital value of the company's own commitments</b>		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	16.2	20.5
Income/expense excluding interest expense that impacted earnings	-0.6	-2.7
Interest expense	0.0	0.0
Pensions paid	-0.9	-0.9
Other change in capital value	0.4	-0.7
<b>Capital value at 31 December</b>	<b>15.1</b>	<b>16.2</b>
<b>Fair value of separated assets</b>		
Fair value at 1 January	14.2	15.1
Return on separated assets	0.0	0.1
Payments to and from pension foundations	-0.9	-0.9
Surplus in separated assets (Fair value of separated assets to the extent that the value does not affect the company's accounts)	-8.6	-9.0
<b>Fair value at 31 December</b>	<b>4.7</b>	<b>5.3</b>
<b>Net pension commitments at 31 December</b>	<b>10.4</b>	<b>10.9</b>

## 37 OTHER LIABILITIES

	31 Dec 2015	31 Dec 2014
Liabilities, Group companies	61.1	55.7
Liabilities to the Parent Company	365.7	225.1
Other liabilities	0.4	22.5
<b>Total</b>	<b>464.2</b>	<b>303.3</b>

are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	31 Dec 2015	31 Dec 2014
<b>Costs regarding pensions The company's own pensions</b>		
Income/expense excluding interest expense	-0.6	-2.7
Interest expense	0.0	0.0
Return on separated assets	0.0	0.0
<b>Cost of the company's own pensions</b>	<b>-0.6</b>	<b>-2.7</b>
Costs covered by surplus in separated assets	0.0	0.0
<b>Recognised net cost attributable to pensions</b>	<b>-0.6</b>	<b>-2.7</b>
<b>Fair value of separated assets</b>		
Participations in fixed-income funds	17.5	17.5
Cash and bank balances	2.5	2.4
Other assets	0.2	0.1
Liabilities	-4.1	-5.4
<b>Total</b>	<b>16.2</b>	<b>14.6</b>
<b>Return on separated assets</b>	<b>0.2%</b>	<b>0.2%</b>
<b>Assumptions pertaining to defined-benefit commitments</b>		
Discount rate	0.7%	0.5%
Percentage expected to retire voluntarily at age 62	40.0%	30.0%
Future salary increases	2.5%	2.5%
Capital in separated assets that exceeds the capital value of pension commitments to employees. This surplus is not recognised in the balance sheet.	8.7	9.0
<b>Defined-contribution pension plans</b>		
Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees. FTP plan contributions for 2016 are expected to total SEK 18.6 M		
	<b>2015</b>	<b>2014</b>
Expenses for defined-contribution plans	26.5	27.1

## 39 OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2015	31 Dec 2014
Premiums, received but not due	109.8	147.8
Other deferred income	7.6	7.2
Accrued holiday and overtime remuneration	11.1	10.9
Other accrued expenses	25.6	31.6
<b>Total</b>	<b>154.1</b>	<b>197.5</b>

## 40 INFORMATION ABOUT OFFSETTING

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The company has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset

liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Financial assets and liabilities that are offset or subject to netting agreements						
31 Dec 2015	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received(-) / Pledged(+)	
<b>Assets</b>						
Derivatives	28.2	–	28.2	–17.6	–8.5	2.1
<b>Liabilities</b>						
Derivatives	–17.6	–	–7.6	17.6	–	0.0
<b>Total</b>	<b>10.6</b>	<b>–</b>	<b>10.6</b>	<b>0.0</b>	<b>–8.5</b>	<b>2.1</b>

Financial assets and liabilities that are offset or subject to netting agreements						
31 Dec 2014	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received(-) / Pledged(+)	
<b>Assets</b>						
Derivatives	14.5	–	14.5	–5.6	–	8.9
<b>Liabilities</b>						
Derivatives	–67.3	–	–67.3	5.6	58.9	–2.8
<b>Total</b>	<b>–52.8</b>	<b>0</b>	<b>–52.8</b>	<b>0</b>	<b>58.9</b>	<b>6.1</b>

31 Dec 2015	Financial assets measured at fair value in profit and loss				Fair value
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	
<b>ASSETS</b>					
Interest-bearing securities issued by Group companies and loans to Group companies	582.7	–	–	582.7	582.7
Shares and participations	35.9	–	–	35.9	35.9
Bonds and other interest-bearing securities	3,389.2	–	–	3,389.2	3,389.2
Derivatives	–	28.2	–	28.2	28.2
Other financial investment assets	185.5	–	–	185.5	185.5
Other receivables	–	–	588.2	588.2	588.2
Cash and bank balances	–	–	72.1	72.1	72.1
Prepaid expenses and accrued income	–	–	14.6	14.6	14.6
<b>Total</b>	<b>4,193.3</b>	<b>28.2</b>	<b>674.9</b>	<b>4,896.4</b>	<b>4,896.4</b>

	Financial liabilities measured at fair value in profit and loss			Fair value
	Held for trading	Other financial liabilities	Total carrying amount	
<b>LIABILITIES</b>				
Derivatives	17.6	–	17.6	17.6
Other liabilities	–	444.3	444.3	444.3
Accrued expenses and deferred income	–	11.3	11.3	11.3
<b>Total</b>	<b>17.6</b>	<b>455.6</b>	<b>473.2</b>	<b>473.2</b>

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

**41 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.**

31 Dec 2014	Financial assets measured at fair value in profit and loss				
	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
<b>ASSETS</b>					
Interest-bearing securities issued by Group companies and loans to Group companies	1,064.2	–	–	1,064.2	1,064.2
Shares and participations	37.6	–	–	37.6	37.6
Bonds and other interest-bearing securities	2,843.1	–	–	2,843.1	2,843.1
Derivatives	–	14.5	–	14.5	14.5
Other financial investment assets	101.7	–	–	101.7	101.7
Other receivables	–	–	726.8	726.8	726.8
Cash and bank balances	–	–	651.1	651.1	651.1
Prepaid expenses and accrued income	–	–	20.8	20.8	20.8
<b>Total</b>	<b>4,046.6</b>	<b>14.5</b>	<b>1,398.7</b>	<b>5,459.8</b>	<b>5,459.8</b>
<b>Financial liabilities measured at fair value in profit and loss</b>					
		Held for trading	Other financial liabilities	Total carrying amount	Fair value
<b>LIABILITIES</b>					
Derivatives		67.3	–	67.3	67.3
Other liabilities		–	293.6	293.6	293.6
Accrued expenses and deferred income		–	10.4	10.4	10.4
<b>Total</b>		<b>67.3</b>	<b>304.0</b>	<b>371.3</b>	<b>371.3</b>

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

**Fair value valuation techniques**

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.

Level 2 refers to prices determined by calculated prices of observable market data.

Level 3 refers to prices based on own assumptions and judgements.

	31 Dec 2015				31 Dec 2014			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
<b>ASSETS</b>								
Interest-bearing securities issued by Group companies and loans to Group companies	73.6	509.0	–	582.6	444.2	620.0	–	1,064.2
Shares and participations	–	5.1	30.8	35.9	–	4.2	33.4	37.6
Bonds and other interest-bearing securities	3,289.2	–	100.0	3,389.2	2,812.5	–	30.6	2,843.1
Derivatives	0.3	27.9	–	28.2	0.6	13.9	–	14.5
Other financial investment assets	185.5	–	–	185.5	101.1	–	0.6	101.7
<b>LIABILITIES</b>								
Derivatives	0.3	17.3	–	17.6	0.0	67.3	–	67.3

There were no significant transfers between Level 1 and Level 2 during 2015 or during 2014. There were no transfers from Level 3 in 2015 or 2014. Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and

are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

The measurement of Other financial investment assets in Level 3 comprises a reasonable approximation of the fair value based on the cost of the assets, since these assets have short terms.

**41 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.**

Change Level 3	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance, 1 January 2014	28.3	0.0	3.5	31.8
Acquisitions	–	30.0	–	30.0
Divestments	–	–	–2.9	–2.9
Recognised in profit and loss	5.1	0.6	–	5.7
Transfer to Level 3	–	–	–	–
<b>Closing balance, 31 December 2014</b>	<b>33.4</b>	<b>30.6</b>	<b>0.6</b>	<b>64.6</b>
Opening balance, 1 January 2015	33.4	30.6	0.6	64.6
Acquisitions	0.1	69.4	–	69.5
Divestments	–2.7	–	–0.6	–3.3
Transfer to Level 3	–	–	–	–
<b>Closing balance, 31 December 2015</b>	<b>30.8</b>	<b>100.0</b>	<b>0.0</b>	<b>130.8</b>

**42 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS, AMOUNTS EXPECTED TO BE RECOVERED**

	31 Dec 2015			31 Dec 2014		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
<b>ASSETS</b>						
Goodwill	–	–	–	11.9	–	11.9
Other intangible assets	1.8	18.3	20.1	10.1	11.7	21.8
Interest-bearing securities issued by Group companies and loans to Group companies	–	2,099.4	2,099.4	–	1,965.7	1,965.7
Shares and participations in associated companies	–	17.5	17.5	–	17.5	17.5
Loans to Group companies	559.8	22.9	582.7	–	1,064.2	1,064.2
Shares and participations	–	35.9	35.9	–	37.6	37.6
Bonds and other interest-bearing securities	1,249.8	2,139.4	3,389.2	348.0	2,495.1	2,843.1
Derivatives	27.7	0.5	28.2	12.7	1.8	14.5
Other financial assets	–	185.5	185.5	–	101.7	101.7
Deposits with companies that have ceded reinsurance	34.2	–	34.2	48.7	–	48.7
Reinsurers' portion of technical provisions	1,211.4	9,613.7	10,825.1	1,333.3	10,178.0	11,511.3
Receivables, direct insurance	330.7	–	330.7	403.8	–	403.8
Receivables, reinsurance	271.7	–	271.7	304.7	–	304.7
Other receivables	588.9	–	588.9	747.0	–	747.0
Deferred tax assets	–	2.4	2.4	–	2.8	2.8
Property and equipment	1.4	3.6	5.0	1.1	4.7	5.8
Cash and bank balances	72.1	–	72.1	651.1	–	651.1
Prepaid expenses and accrued income	36.5	–	36.5	52.0	–	52.0
<b>Total assets</b>	<b>4,386.0</b>	<b>14,139.1</b>	<b>18,525.1</b>	<b>3,924.2</b>	<b>15,880.9</b>	<b>19,805.2</b>
<b>LIABILITIES</b>						
Technical provisions	2,579.9	12,157.9	14,737.8	2,526.2	13,157.0	15,683.2
Other provisions	–	33.9	33.9	–	36.3	36.3
Deposits from reinsurers	19.1	–	19.1	22.8	–	22.8
Current tax liabilities	–	14.9	14.9	–	1.3	1.3
Deferred tax liabilities	–	10.2	10.2	–	12.8	12.8
Liabilities, direct insurance	593.2	–	593.2	1,492.4	–	1,492.4
Liabilities, reinsurance	397.6	–	397.6	203.3	–	203.3
Derivatives recognised as liabilities	14.0	3.6	17.6	67.3	–	67.3
Other liabilities	464.2	–	464.2	303.3	–	303.3
Accrued expenses and deferred income	154.1	–	154.1	197.5	–	197.5
<b>Total liabilities</b>	<b>4,222.1</b>	<b>12,220.5</b>	<b>16,442.6</b>	<b>4,812.8</b>	<b>13,207.4</b>	<b>18,020.2</b>

The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities.

## 43 MEMORANDUM ITEMS

	31 Dec 2015	31 Dec 2014
<b>Pledged assets</b>		
Total registered investment assets on behalf of policyholders	4,973.7	4,876.4
– of which, pertain to preferential commitments	4,973.7	4,876.4
<b>Total</b>	<b>4,973.7</b>	<b>4,876.4</b>

The technical liabilities, which correspond to registered assets, amount to SEK 4,023.4 M.

Registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act amount to SEK 4,973.7 M. In the event of insolvency, the policyholders have a preferential right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Swedish Insurance Business Act.

## 44 DISCLOSURES ON RELATED PARTIES

### Organisation

Länsförsäkringar Sak is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Länsförsäkringar Sak. This pertains to such services as asset management, legal, finance, safety, personnel and development of a joint IT system. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between Länsförsäkringar Sak and Länsförsäkringar AB, subsidiaries and the regional insurance companies.

### Related parties

Legal entities closely related to Länsförsäkringar Sak include all of the companies in the Länsförsäkringar AB Group, Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

### Pricing

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Development projects and parts of services are financed collectively and invoiced based on an established distribution key.

### Agreements

Significant agreements for Länsförsäkringar Sak are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT, service and development. Furthermore, agreements have been entered into with Länsförsäkringar Mäklarservice regarding sales and with the regional insurance companies regarding commission for sales, claims adjustment and reinsurance management. Additional agreements that have been entered into are with Humlegården Fastigheter AB regarding the administration of Utile Dulci 2 HB and partnership agreements with Länsförsäkringar AB regarding Utile Dulci 2 HB. Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB. The property owner is a subsidiary of Länsförsäkringar Sak. Utile Dulci 2 HB is financed by Länsförsäkringar Sak on the basis of a loan of SEK 509 M (620).

## 45 SUPPLEMENTARY DISCLOSURES ON INCOME-STATEMENT ITEMS BY INSURANCE CLASS

2015	Total	Accident and health	Motor third-party liability	Motor hull, other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal protection	Total, direct insurance	Assumed reinsurance
Premiums earned, gross	3,678.3	1,123.3	42.1	122.6	111.1	81.7	136.4	3.5	1,620.7	2,057.6
Claims payments, gross	-2,131.8	-501.2	-42.0	-100.0	-18.3	-71.8	-96.0	-1.8	-831.1	-1,300.7
Operating expenses, gross	-474.5	-224.7	-11.3	-22.6	-27.7	-14.4	-32.4	-0.2	-333.3	-141.2
Profit/loss from ceded reinsurance	-606.1	-0.3	8.0	-1.8	-10.4	-3.9	-5.6	-0.1	-14.1	-592.0
<b>Profit/loss</b>	<b>465.9</b>	<b>397.1</b>	<b>-3.1</b>	<b>-1.8</b>	<b>54.7</b>	<b>-8.4</b>	<b>2.4</b>	<b>1.4</b>	<b>442.3</b>	<b>23.6</b>
Premium income, gross	3,692.8	1,154.9	42.2	117.4	110.9	81.5	139.7	3.8	1,650.4	2,042.4

	31 Dec 2015	31 Dec 2014
<b>Contingent liabilities</b>		
Part-owner of Utile Dulci 2 HB	13.9	3.8
Early retirement at age 62 in accordance with pension agreement, 60% (70%)	11.9	19.4
<b>Total</b>	<b>25.8</b>	<b>23.2</b>

The Swedish Motor Traffic Damage Act and the Swedish Motor Liability Insurance Ordinance stipulate that insurance companies underwriting motor third-party liability insurance in Sweden must be members of Swedish Motor Insurers. The rules state that the member companies have a joint and several liability to finance the operations of Swedish Motor Insurers. This takes place by the annual net deficit for Swedish Motor Insurers being distributed between the member companies based on the companies' premium volumes for motor third-party liability insurance by applying an annual settlement model adopted by the Meeting of Swedish Motor Insurers. The joint and several liability entails that individual member companies may have a potential additional obligation to Swedish Motor Insurers if any other member company is unable to fulfil its own obligations or if the reserves for claims outstanding held by Swedish Motor Insurers prove to be insufficient.

### Related-party transactions 2015

	Income	Expenses	Receivables	Liabilities
Parent Company	4.3	234.4	80.0	365.7
Group companies	622.6	-31.5	1,128.4	62.7
Life Group	-	-	0.0	0.4
Regional insurance companies	493.1	340.4	8,674.4	8,924.7
Other related parties	-	13.6	2.9	10.9

Bank balances and interest income received from Länsförsäkringar Bank AB amounts to:

Cash and cash equivalents with Länsförsäkringar Bank AB	521.0
Interest income received	-

The Annual Report was approved for publication by the Board of Directors on 25 February 2016.  
The company's income statement and balance sheet will be adopted at the 2016 Annual General Meeting.

Sten Dunér  
*Chairman*

Ricard Robbstål  
*Board member*

Mariette Nicander  
*Board member*

Carl Henrik Ohlsson  
*Board member*

Göran Spetz  
*Board member*

Magnus Olsson  
*Board member*

Anna Sandqvist  
*Employee representative*

Linnéa Niklasson  
*Employee representative*

Ann Sommer  
*CEO*

My audit report was submitted on 25 February 2016.

Gunilla Wernelind  
*Authorised Public Accountant*

# Audit report

Translation from the Swedish original.

## To the annual meeting of the shareholders of Länsförsäkringar Sak Försäkringsaktiebolag (publ.), corp. id 502010-9681

### Report on the annual accounts

I have audited the annual accounts of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

My responsibility is to express an opinion on these annual accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Länsförsäkringar Sak Försäkringsaktiebolag (publ) as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### Report on other legal and regulatory requirements

In addition to my audit of the annual accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2015.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 25 March 2016

Gunilla Wernelind  
*Authorized Public Accountant*

# Board of Directors and auditor

## Sten Dunér <sup>1</sup>

*Chairman.* Born 1951. CEO of Länsförsäkringar AB. Elected 2009. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Länsförsäkringar Liv, Insurance Sweden, Swedish Insurance Employers' Association (FAO), European Alliance Partners Company AG and Fastighets AB Balder. **Previous experience:** CFO and other senior positions at Länsförsäkringar AB.



## Ricard Robbstål <sup>2</sup>

Born 1970. CEO of Länsförsäkringar Göteborg and Bohuslän. Elected 2015. **Education:** MBA Harvard/Stanford and Behavioural sciences. **Other Board appointments:** Chairman of Länsförsäkringar Fastighetsförmedling, Board member of Platzer properties. **Previous experience:** CEO/Head of Group Göteborgsposten and Stampen Local Media.



## Mariette Nicander <sup>3</sup>

Born 1960. CEO of Länsförsäkringar Gotland. Elected 2012. **Education:** Bachelor of Legal Science. **Other Board appointments:** Brandförebyggarna Gotland and Tillväxt Gotland. **Previous experience:** Worked in the insurance industry since 1984.

## Carl Henrik Ohlsson <sup>4</sup>

Born 1953. CEO of Länsförsäkringar Skaraborg until 30 September 2015, thereafter CEO of Skaraborg Invest. Elected 2012. **Education:** Master of Science in Agriculture. **Other Board appointments:** Chairman of Gothia Intresseförening, and Next Skövde AB and Board member of Vara Konserthus AB and University of Skövde. **Previous experience:** CEO of Länsförsäkringar Skaraborg, and Agricultural Society Skaraborg.



## Magnus Olsson <sup>5</sup>

Born 1964. CEO of Länsförsäkringar Blekinge until 30 November 2015, thereafter Regional Director East LRF Konsult. Elected 2014. **Education:** Master of Science in Agricultural Economics. **Other Board appointments:** Board member Länsförsäkringar Gruppliv, Länsförsäkringar Affärsservice Sydost AB until 1 December 2015. **Previous experience:** Worked in Länsförsäkringar since 1997.

## Göran Spetz <sup>6</sup>

Born 1956. CEO of Länsförsäkringar Västerbotten. Elected 2010. **Education:** Mechanical engineer. **Other Board appointments:** Chairman of Länsförsäkringar i Norr Holding AB, Länsförsäkringar Fastighetsförmedling. **Previous experience:** Worked in Länsförsäkringar Västerbotten since 1979.

### EMPLOYEE REPRESENTATIVES

## Linnéa Niklasson <sup>7</sup>

Born 1958. Object specialist Integration. Employee representative. Elected: 2014. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar AB, Agria Djurförsäkring, Chairman of Länsförsäkringar AB FTF club, Profit-sharing Association Ekorren. **Previous experience:** Test Manager/Change and Release management at Länsförsäkringar AB, Systems Developer Agria, Chairman of FTF Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto. **Deputy:** Jan Ingman.



## Anna Sandqvist <sup>8</sup>

Born 1963. Compliance. Employee representative. Elected: 2014. **Education:** Bachelor of Arts. **Other Board appointments:** Employee representative of Swedish Confederation of Professional Associations (SACO) on the Board of Länsförsäkringar AB, Chairman of SACO association at Länsförsäkringar AB, Board member of Bank and Insurance Section of Jusek. **Previous experience:** AMF Pension, Wasa Försäkringar. **Deputy:** Lotta Möller.

### AUDITOR

## Gunilla Wernelind

Elected by the Annual General Meeting

Authorised Public Accountant, KPMG.

# Management

## **Ann Sommer**

CEO

## **Thomas Abrahamsson**

Business Area Health

## **Tobias Andersson**

Business Area Reinsurance and Commercial Special Insurance

## **Carina Bodesand**

Business Support

## **Gunnel Karlsson**

CFO

## **Göran Laurén**

Asset Management

## **Birger Lövgren**

Business Area Agria

## **Totte Pikanen**

Corporate Senior Actuary

## **Michael Truwert**

Head of Legal Affairs

## **Marie-Louise Skånberg**

HR

## EMPLOYEE REPRESENTATIVES

## **Anna Sandqvist**

## **Linnéa Niklasson**

# Definitions

## After ceded reinsurance

The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is used.

## Capital base

Recognised equity after proposed dividend, plus untaxed reserves and surplus values of property, less intangible assets.

## Claims payments

The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are re-valued pending final settlement.

## Claims ratio

The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance, expressed as a percentage.

## Combined ratio

The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

## Contingency reserve

Provisions for contingency reserve is an appropriation. The contingency reserve is to equalise fluctuations in the risk process and the uncertainty in the calculation basis for provisions for unearned premiums and claims outstanding.

## Deferred tax

Deferred tax liabilities/assets pertain to temporary taxable temporary differences.

## Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

## Direct yield

Direct yield refers to the balance of interest income, interest expense, dividends on shares and participations, and the surplus/deficit on property for the assets encompassed by the investment principles in relation to the average value of these assets during the year.

## Discounting of claims outstanding

Present value calculation of future claims payments in insurance transactions with long-term settlement periods.

## Expense ratio

Operating expenses as a percentage of premiums earned after ceded reinsurance.

## Investment income transferred from financial operations

Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest (the cost of capital) on these investments is transferred from investment income to the insurance operations. With the amendment of the accounting policies for indexed annuities, this is recognised as an increased capital cost for investment income transferred from financial operations, to the change in provision for claims outstanding reducing the total claims payments. 2011 and 2010 have been recalculated according to the new policy, but prior years are recognised according to the previous policies.

## Operating expenses

Operating expenses is a collective term for expenses for sales, management and administration.

## Premiums earned

The proportion of premium income attributable to the fiscal year.

## Premium income

Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance operations.

## Reinsurance

Risk distribution method entailing that an insurance company purchases coverage for a portion of its liability commitment for insurance and reinsurance contracts, known as ceded reinsurance. Assumed reinsurance from other insurance companies in the form of reinsurance.

## Required solvency margin

The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

## Run-off result

For claims for which final settlement has not been completed at the end of the fiscal year, funds are reserved in the provision for claims outstanding. The assessment of future payments implemented may however prove to be incorrect for various reasons. If the calculated compensation amount for a claim proves to be over-valued, run-off gains will arise when the compensation amount is re-assessed or when the claim has been settled. If the amount is under-valued, a corresponding run-off loss will arise.

## Solvency capital

Recognised equity, plus untaxed reserves, deferred tax liabilities and surplus values on property.

## Solvency margin

The ratio between solvency capital and premium income for own account, expressed as a percentage. The solvency margin, calculated in this manner, is the measure of capital strength of the insurance company normally used.

## Technical provisions

Provision for unearned premiums and unexpired risks, and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts.

## Technical result for non-life insurance operations

Premiums earned less claims payments and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

## Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding administration costs, in relation to the average value of these assets during the year. The changes in the value of the discounted technical provisions are not included in the total return.

## Unearned premiums

A liability item, corresponding to the portion of premium income that pertains to the next year in the annual accounts.

# Address

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