

Länsförsäkringar Sak

Annual Report

2020



Supports and supplements the regional insurance companies' offering

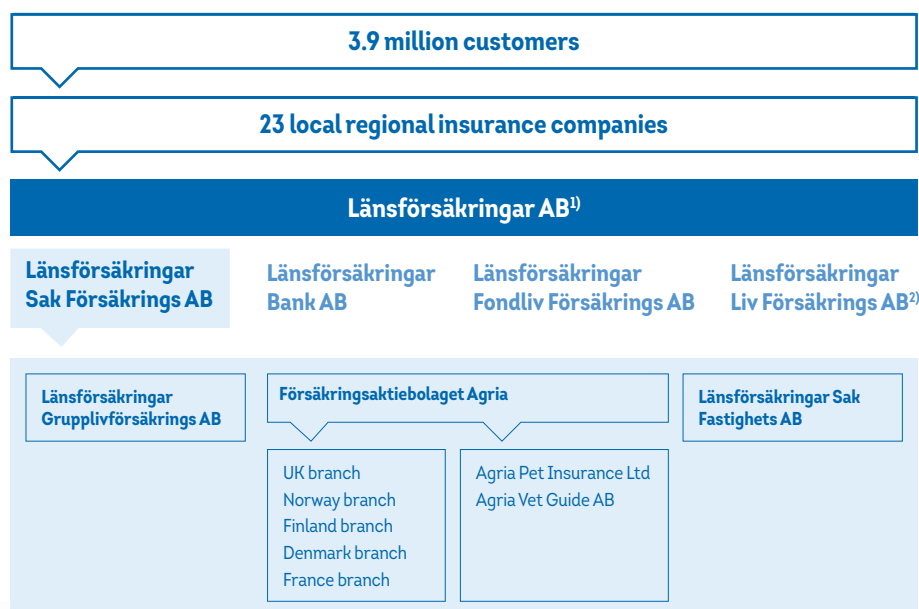
The Non-life Insurance business unit of the Länsförsäkringar AB Group – Länsförsäkringar Sak Försäkrings AB – comprises Länsförsäkringar Sak försäkringsaktiebolag and its subsidiaries Försäkringsaktiebolaget Agria and Länsförsäkringar Grupplivförsäkrings AB. The Non-life Insurance business unit is responsible for the non-life insurance operations, including pet and crop insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies.

The Non-life Insurance business unit's task involves supporting and supplementing the regional insurance companies' offering with spe-

cialist products to meet customer needs and to start new business that can be channelled through the regional insurance companies. Länsförsäkringar Sak underwrites health care, accident and health and commercial special insurance and international reinsurance, and manages the Länsförsäkringar Alliance's joint reinsurance cover. Pet 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.

Länsförsäkringar in brief

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete offering of banking, insurance, pension and real-estate brokerage services through their regional insurance company. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has 3.9 million customers and 7,500 employees.



¹⁾ Effective 30 December 2020, Länsförsäkringar AB's legal name is "Gamla Länsförsäkringar AB" but is referred to as "Länsförsäkringar AB" throughout this Annual Report.

²⁾ The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Contents

Introduction

- 1 The 2020 fiscal year
- 2 Statement by the President

Operations

- 4 Board of Directors' Report
- 9 Five-year summary

Financial statements

- 12 Income statement
- 12 Statement of other comprehensive income
- 13 Performance analysis
- 15 Balance sheet
- 17 Statement of changes in equity
- 18 Notes
- 45 Auditor's Report

Other information

- 48 Board of Directors and auditor
- 50 Management
- 50 Definitions
- 52 Address

The 2020 fiscal year

Earnings 2020 Figures in parentheses pertain to 2019

- Net profit for the year before appropriations and tax amounted to SEK 209 M (1,478).
- The technical result amounted to SEK 88 M (133).
- The combined ratio amounted to 96% (95).
- The expense ratio was 19% (21).
- The change in earnings compared with the preceding year was mainly due to higher claims costs and last year's investment income, that included positive non-recurring effects from the divestment of a large property holding.



Key figures

%	2020	2019	2018	2017	2016
Combined ratio	96	95	95	84	96
Return on equity ¹⁾	7	74	19	29	25
Total investment income	3.4	10.0	5.6	5.6	5.7
Solvency ratio ²⁾	197	197 ³⁾	228	221	260

¹⁾ Profit before appropriations adjusted for dividends and Group contributions from subsidiaries less standard tax at a rate of 21.4% as a percentage of average equity including 78.6% of untaxed reserves. For 2016-2018, the percentages of 22.0 and 78.0, respectively, were used. The outcome for 2019 includes strong investment income impacted by a capital gain from the divestment of a large property holding during the year.

²⁾ Solvency ratio according to Solvency II rules (SII). The ratio is calculated by SII-valued own funds being divided by the solvency capital requirement, partial internal model.

³⁾ Comparative figure refers to the restated solvency ratio per Q4 2019. In 2020, the capital requirement per Q4 2019 was restated due to the changed handling of loss absorption in deferred taxes.

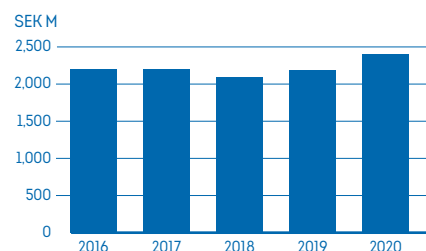
Technical result

SEK **88** M

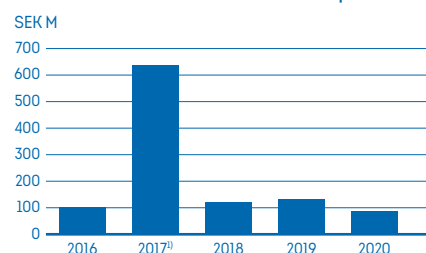
Combined ratio

96%

Premium income after ceded reinsurance



Technical result for insurance operations



¹⁾ Earnings for 2017 included non-recurring income of SEK 260 M and run-off gains totalling a net SEK 235 M.

We are here for our customers – now and in the future

Statement by the President

Länsförsäkringar Sak displayed healthy growth during the year with premiums earned increasing 9%. The aim and driving force is to be the best partner for the regional insurance companies and to strengthen, supplement and develop business so that in the future we can continue to meet customers' needs and offer a modern range of insurance cover for people, animals and property.

I became the President of Länsförsäkringar Sak in September 2020. Having the opportunity to lead the development and strengthening of the Länsförsäkringar Alliance's business and position in non-life insurance is a very exciting task. It is inspiring to see the enormous non-life insurance expertise found in the Länsförsäkringar Alliance and the fantastic development opportunities ahead.

An extraordinary year

It has been a different year to say the least, with COVID-19 emerging at the start of the year and impacting the entire world. The pandemic has affected all of us and brought about major changes to both society and our private lives. If someone had said before the start of this year that we would spend most of our working days working remotely and not have any physical meetings for much of the year, most people would have thought that this definitely would not be possible, or at least would not work well. But now almost all employees have been working from home since March. It has not only worked well but actually really well. Of course there have been challenges and still are, but we have not missed deliveries.

During the year, Länsförsäkringar worked actively and adapted its operations in a number of areas to support customers and alleviate the health and financial consequences of COVID-19. From April to September, all corporate customers in the Länsförsäkringar Alliance were offered the Samtalsstödet counselling service that is part of our Health care and Bo kvar insurance. This service provides free access to counselling with professionals in the fields of psychology, finance and law. Dedicated investments were also made during the year in social bonds, specifically intended to combat the pandemic and increase accessibility to health care.

Operations

Länsförsäkringar Sak displayed healthy growth during the year with premiums earned increasing 9%. Operating profit for Länsförsäkringar Sak Försäkringsaktiebolag amounted to SEK 209 M (1,478), including dividends from subsidiaries. The operating profit for the Länsförsäkringar Sak Group and its subsidiaries amounted to SEK 516 M (851). The change in profit was primarily due to investment income. Last year's earnings for the financial operations included non-recurring effects from the divestment of a large property holding.

Business activities are conducted in the Non-life Insurance business unit and the Agria business unit that are responsible for the

non-life insurance operations, including pet and crop insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies.

The Non-life Insurance business unit is divided into various business areas. The Reinsurance and Special Insurance business area manages the Länsförsäkringar Alliance's internal and external reinsurance. Business is also conducted in the liability, cargo, motor, property and credit insurance areas. The effect of the brand insurance for Toyota and Lexus can clearly be seen. Länsförsäkringar increased its market shares for both new and second-hand cars and is now the largest insurer of Toyota and Lexus cars.

The Health business area wants to create a healthier Sweden by contributing to a sustainable lifestyle, sustainable working life and a sustainable society. Claims prevention and health promotion are a key elements of this work. Länsförsäkringar expanded access to digital health care during the year. A new service – digital care services – was launched in 2020, in which Länsförsäkringar gives customers the option of reporting their health claim digitally, and speaking to both doctors and nurses via chat or video call. The new service allows us to quickly and easily help more customers digitally.

The Agria business unit is the market leader in pet insurance in Europe. The digital vet company VetHem was acquired during the year to offer customers free veterinary consultations arranged by Länsförsäkringar via the Agria Vårdguide app. More animal owners will now have the opportunity to discover how secure and simple it is to use a digital vet clinic for minor injuries and illnesses, and at the same time reduce the number of physical visits to the vet.

High customer satisfaction

The combination of Länsförsäkringar's full-service customer offering in banking, insurance, pensions and real-estate and its local presence is difficult to beat. Success lies in the balance between local and shared. For the third consecutive year, Länsförsäkringar has the most satisfied non-life insurance corporate customers in the market according to the annual Swedish Quality Index survey. Länsförsäkringar was also named Sweden's strongest brand in insurance at the Swedish Brand Award.

The high rate of change in society is creating new customer requirements and increasing demand for new insurance products and services. To remain the best choice and add value for our customers, we need to be even more relevant and continuously find new ways of meeting future needs and expectations.



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Employee focus

Employee commitment, skills and participation are the reasons that we achieve excellent results and high customer value year after year. Länsförsäkringar strives to be an attractive and responsible employer and works actively to create the conditions to ensure well-being and job satisfaction among its employees in a healthy work environment. Employees who have high job satisfaction and are given the conditions needed to succeed in their various duties also take responsibility for the operations and their own development. Our business and task are very broad and everyone in the organisation is important, regardless of their role.

During the year, Länsförsäkringar was named Sweden's most attractive employer for 2020 in the financial sector in the annual Employer Brand Research survey carried out by recruitment firm Randstad.

Sustainability is the way forward

It is fundamental for us to be a responsible player in society and work sustainably following a long-term approach. Claims prevention is an important area in which we as an insurance company can make a big difference. Länsförsäkringar carries out preventive work on climate change and natural catastrophes and promotes health for people and animals, through carefully prepared insurance offerings, preventive efforts, engagement and social commitment in various forms. All insurance claims that can be avoided are a gain for the customer, the environment and society.

Together with about 20 other global insurance companies, Länsförsäkringar Sak has participated in a UN project on climate risks in the insurance industry following the recommendations of the Task

Force on Climate-related Financial Disclosures (TCFD) since 2018. Our involvement has allowed us to contribute to finding new methods and approaches for modelling the impact of climate change on the insurance industry and how to tackle it. The project entered the final stage at year-end and in 2021 work will continue internally to focus on understanding and calculating climate risk.

Next step

The next step in our efforts to strengthen and develop the Länsförsäkringar Alliance's non-life insurance business started at the end of the year by grouping together responsibility for business, development and service in the new Non-life Insurance business unit. This change enables us to become an even better partner for the regional insurance companies and to provide proactive support in new business, development, specialist expertise and service. We ran our first SAFe train in 2020 and more will come. The Lean Agile work method is being implemented and over the next year we will further accelerate the pace of our IT deliveries. Together we will create better conditions for both local and joint business while continuing to create security and opportunities for our customers.

Stockholm, March 2021

Björn Dalemo
President of Länsförsäkringar Sak

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby submit the Annual Report for the 2020 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 a wholly owned subsidiary of Gamla Länsförsäkringar AB (publ) (referred to below as Länsförsäkringar AB), Corporate Registration Number 556549-7020, which is owned by 23 regional insurance companies and 15 local insurance companies.

Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Grupplivförsäkringsaktiebolag and Länsförsäkringar Sak Fastighets AB.

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 2020, business was underwritten in the lines of health, health care, accident, property, cargo, liability and credit insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor 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 pet and crop insurance. The subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag underwrites group life assurance and occupational group life insurance. Asset management is handled within Länsförsäkringar Liv AB on assignment from Länsförsäkringar Sak.

Market

The COVID-19 pandemic and its consequences in the form of long-term illness and unemployment have highlighted personal-risk insurance as an important supplement to public social security for increasing financial security in the event of illness, accident,

unemployment and death. Companies are eager to prevent illness and sickness absence since sick leave has consequences for both profitability and delivery. Private individuals want to insure themselves against unemployment, sick leave and death in order to safeguard their personal finances. New business for certain personal-risk insurance policies was temporarily restricted in 2020 to protect existing customers and to understand the changed risks that the COVID-19 pandemic presents for these policies.

Health care insurance fulfils an important role as a means for promoting a positive work environment and good health so as to reduce the vulnerability of employees to illness or claims and helps companies to assume their responsibility as regards the work environment. The health care insurance market has grown for several years and increased 1% in 2020. The Länsförsäkringar Alliance's market share in accident and health insurance was unchanged at 20%.

Competition remains fierce in cargo insurance and the share of business that is managed by insurance brokers is continuing to grow. In liability insurance, the trend of an increasing number of players showing interest in the small and medium-sized businesses segment is continuing.

The total reinsurance capacity in the international reinsurance market remained large. After several years of reinsurance prices falling, the trend was broken in 2019 with prices of reinsurance continuing to rise in 2020. A generally higher price scenario is necessary for the reinsurance industry, which has experienced profitability challenges in the past three years.

Significant events during the year

On 1 September 2020, Björn Dalemo became the President of Länsförsäkringar Sak, succeeding Ann Sommer who retired at the end of the year. Agria also formed its own business unit. Employees in the parts of Länsförsäkringar AB and the Fondliv business unit affected by the organisational change were transferred to Länsförsäkringar Sak on 1 January 2021.

The organisational affiliation of the Asset Management Unit of Länsförsäkringar AB was transferred to Länsförsäkringar Liv in May 2020 to enhance the efficiency of the operations and generate higher returns for Länsförsäkringar's customers.

In 2020, the Länsförsäkringar AB Group launched an efficiency programme to ensure a long-term, sustainable cost level for its operations, which in turn benefits the regional insurance companies and their competitiveness.

On 30 December 2020, Länsförsäkringar AB changed its legal name to Gamla Länsförsäkringar AB. The change in name is part of the plans to legally restructure Länsförsäkringar AB and its subsidiaries so that the company name "Länsförsäkringar AB" can be rein-

stated after the restructuring has been completed. Gamla Länsförsäkringar AB is referred to as "Länsförsäkringar AB" throughout this annual report.

Health business area

Sales of the Bo Kvar product, which comprises an important part of Länsförsäkringar Bank's offering, performed well and the portfolio premium grew steadily. This policy provides financial protection in the event of death, illness or unemployment and is an important component in providing financial security to customers. A developed distribution model was launched in the middle of the year that more clearly explains the need for loan protection when taking out a mortgage.

The portfolio premium in health care insurance continued to increase during the year, mainly as a result of a highly functional digital sales channel and customer care and a refined, differentiated offering that was well received by the market. During the year, Länsförsäkringar became an eligible insurer in procured insurance plans with several insurance brokers.

Talks were held with representatives of parliamentary parties during the year to increase knowledge and understanding of health care insurance and the role of the insurance industry in welfare. Länsförsäkringar has served as an important party in talks with authorities, health care representatives and employer and employee organisations to contribute to a nuanced and forward-looking discussion on the interplay between publicly financed health care and private health care insurance.

During the year, customers with Bo kvar or health care insurance received access to a large number of articles that provided inspiration for better health, both physically and mentally. These articles were very helpful in attracting 90,000 unique visitors to the Health Portal, the digital hub for the Health business area's customers. Länsförsäkringar can contribute to a more sustainable society through the Health Portal. Initiatives for customers affected by the consequences of the COVID-19 pandemic were started in the spring. One of these initiatives was offering small businesses free advice on a variety of subjects ranging from their personal health to law, finances, leadership and HR. This is a service that will continue to be offered to customers with health care or Bo kvar insurance. Regular customer satisfaction surveys of incoming calls to the Customer Service Centre and claims adjustment departments have been carried out since 2015 and the outcomes have remained at high levels.

Reinsurance and Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers through the Reinsurance and Special Insurance business area, which manages the Group's internal and external reinsurance, underwrites assumed international reinsurance and offers specialised liability, cargo, motor, property and credit insurance solutions. This business area is competitive in all segments. Customer satisfaction, measured by Customer NPS, remained at a high level, confirming that the focus on customer care and claims prevention is valued by customers.

A number of new agreements in cargo insurance also contributed to business growth in terms of both premium volumes and the number of policies during the year. Several contracts in the liability business were subject to procurement. The liability business reported healthy growth for the year based on a strong competitive offering.

Sales of seller liability insurance, which provides cover for sellers of single-family homes for the ten years of liability for hidden faults, are increasing in line with the growth of Länsförsäkringar Fastighetsförmedling. Growth was also positively impacted by a higher number of customers taking out these policies than previously. At the end of 2020, an umbrella agreement was signed with an insurance broker that is expected to result in a substantial increase in premium volumes in 2021.

The business area conducts motor insurance as a supplement to the regional insurance companies' motor business. Länsförsäkringar's partnership with Toyota and Lexus in vehicle-damage guarantees and brand insurance started in January 2019. Business continued to grow during the year. Most of the brand insurance business is reinsured in the regional insurance companies. A data protection insurance policy for small and medium-sized businesses was launched in 2018. This policy is a product in the rapidly growing area of cyber insurance. The product gives Länsförsäkringar Sak a strong position in the market for insurance protection against cyber risk.

Länsförsäkringar Sak is the regional insurance companies' reinsurer, prices and administers the regional insurance companies' ceded reinsurance cover, procures and administers external cover and administers the reinsurance pools that balance the risk of the earnings for the regional insurance companies. The Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, reported one major fire during the year and a few other large-scale fires, but few storm or flooding claims.

Länsförsäkringar underwrites assumed international reinsurance for both the risk and catastrophe business, specialising in property business. The long established strategy is to underwrite business from mutual companies. We noted significant increases in premiums for renewals during the year, which creates the conditions for future profitable growth. Länsförsäkringar Sak's partnership with the International Network of Insurance (INI) continues to be developed. The number of customised and local insurance solutions for the Länsförsäkringar Alliance's Swedish corporate customers with international interests continued to increase during the year. The expense ratio continued to decline during the year after several years of cost control and developing digital solutions.

Impact of COVID-19

Since the outbreak of COVID-19 in the first quarter of 2020 and in light of the spread of the pandemic during the year, the Länsförsäkringar AB Group has taken a number of measures to ensure the continuation of operations. The aim of the measures taken is to minimise the impact on Länsförsäkringar's 3.9 million customers and to continue to provide excellent service. The risk of contagion was minimised

by expanding customer meetings via digital channels, employees working remotely and using separate premises for the Länsförsäkringar AB Group's critical functions and tasks.

Regarding the effect on the pandemic, the Länsförsäkringar AB Group has identified a number of areas that may be impacted. The consequences will vary based on the length of the pandemic, the efficiency of the vaccination programme and the scope of the protective measures decided by the authorities. The Länsförsäkringar AB Group and its subsidiaries have a strong capital position and are considered highly able to manage any additional effects brought about by the pandemic.

The growth in premiums for Länsförsäkringar Sak was relatively unaffected by the COVID-19 pandemic in 2020. Instead, the pandemic has highlighted the need for solutions in the area of personal-risk insurance. Depending on how the pandemic progresses, premium growth may be negatively affected due to increased bankruptcies or lower sales among corporate customers, higher unemployment and reduced economic activity. Claims costs were relatively unaffected by the COVID-19 pandemic in 2020. Claims costs for health care insurance fell slightly in March and April, but then returned to normal levels. Claims costs for health care insurance could be negatively affected if the scenario is prolonged. Unemployment claims in the loan protection insurance of the Bo kvar product increased due to rising unemployment figures, but this insurance policy represents only a small share of total business volumes. In the spring, marketing of the Bo kvar insurance was restricted due to the uncertainty surrounding the effects of the COVID-19 pandemic. Business interruption claims in assumed reinsurance were received due to the COVID-19 pandemic. However, there is continuing uncertainty in the reinsurance industry as to whether business interruption in property damage cover is to include pandemic claims.

Investment earnings were impacted by uncertainty in the financial markets caused by the COVID-19 pandemic and its effects. The stock markets performed very negatively in the first quarter, but recovered strongly during the remainder of the year, resulting in positive investment income for 2020.

Events after the end of the period

On 1 January 2021, Länsförsäkringar AB grouped together the responsibility for business, development and service for the Länsförsäkringar Alliance's non-life insurance business in a single unit to enhance efficiency. This involved merging the Non-life Insurance business unit, LB Sak unit within Länsförsäkringar AB as well as risk assessment and claims adjustment from the Life Assurance business unit. The name of the merged business unit is Non-life Insurance business unit.

Länsförsäkringar is planning a legal restructure in 2021 to the extent that the Länsförsäkringar AB Group's non-life insurance company, based on a merger with Länsförsäkringar AB, would become the parent company of the Group. The purpose is to make the Länsförsäkringar AB Group a more appropriate, transparent and efficient legal organisation so that the consolidated situation for the banking

operations only comprises the Bank Group. Restructuring requires the approval of the Financial Supervisory Authority.

Expectations regarding future development

Higher household debt and the gap between salary increases and benefits under the social security scheme mean that more and more people do not have sufficient personal insurance. Demands from companies and organisations for rapid and high-quality health care and proactive health services are continuing to rise.

At the same time, business and earnings are strongly related to people's well-being, sick leave, unemployment and changes in the social security scheme. These trends increased during the year. The need for supplementary, private security solutions is continuously evolving and with its satisfied customers and a large market share Länsförsäkringar is well-positioned for healthy growth in personal risk insurance. The Health business area will change its name to the Personal Risk business area from the start of 2021. As part of the organisational changes that have been made, the new Personal Risk business area has transformed to become the hub of the development of Länsförsäkringar's personal risk offering. This will greatly enable the company to achieve inherent growth potential while maintaining control of profitability.

The Reinsurance and Special Insurance business area will change its name to the Commercial and Reinsurance business area from the start of 2021. The Commercial and Reinsurance business area will continue to develop new and further develop existing insurance solutions to supplement the regional insurance companies' range of commercial insurance. Data protection insurance is deemed to have great potential and the ambition is to further develop the offering in insurance for cyber risks for small and medium-sized businesses. The aim is to meet new customer needs arising from an increasingly digitised world. The Länsförsäkringar Alliance has a strong position in motor insurance. Entering into the market for vehicle-damage guarantee and car brand insurance creates conditions for further strengthening the position in the motor market. With continuous development of the offering, good cost control and further efficiency enhancements, there are many opportunities for strengthening competitiveness and achieving growth in the segments in which the Commercial and Reinsurance business area operates. A third business area, Private and Motor, was created at year-end and has strong potential to further develop the concepts in vehicle-damage and brand insurance.

Capital position

Länsförsäkringar AB and its insurance subsidiaries have permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks in Länsförsäkringar Sak are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Länsförsäkringar Sak's capital position is expressed and measured in accordance with Solvency II as a ratio of own funds in

relation to risk-based capital requirements. Länsförsäkringar Sak's own funds increased from SEK 3,479 M to SEK 3,825 M during the year. The capital requirement at the start of the year was SEK 1,762 M and increased to SEK 1,944 M at the end of the year, primarily driven by increased insurance risk in line with business growing. Länsförsäkringar Sak's solvency ratio on 31 December 2020 was 197% (197).

The company's capital position according to Solvency II is described in greater detail in the Länsförsäkringar AB Group's Solvency and Financial Condition Report.

The uncertainty in the financial markets caused by the COVID-19 pandemic negatively impacted the solvency ratio in the first quarter of 2020. Related to this, the proposed dividend for 2019 was adjusted downwards. The subsidiary Agria received a shareholders' contribution during the year due to a weaker financial market and changes to the method for calculating capital requirements. The later recovery in the financial markets, combined with the earnings of the insurance operations, subsequently led to the solvency ratio strengthening, which meant that a Group contribution of SEK 175 M could be paid to the Parent Company. The COVID-19 pandemic resulted in the Swedish Financial Supervisory Authority requesting more frequent reporting of insurance companies' capital position. Länsförsäkringar Sak has a strong capital position and is considered highly able to manage any additional effects brought about by the pandemic.

Risks and risk management

One of the key objectives for Länsförsäkringar Sak is to ensure that the company can always meet its commitments to customers. Accordingly, controlling risk-taking is an integrated part of the business governance and great emphasis is placed on forward-looking analyses. Ongoing activities include handling known risks and identifying new risks. Länsförsäkringar Sak's operations give rise to various types of risks. Market risks primarily arise due to changes in the level or volatility in the prices of financial assets. Exposure to underwriting risks includes non-life insurance risks such as premium, reserve and catastrophe risk as well as life-assurance and health-insurance risks arising in the health products.

The outbreak of the pandemic in 2020 led to greater uncertainty in the financial markets and, to a lesser extent, impacted risk in the insurance business. At the same time, Länsförsäkringar Sak has taken a number of measures to ensure the continuation of operations. The purpose of the measures taken is for the impact on the company's customers to be as low as possible. Apart from the risks caused by the pandemic in 2020, other risks that Länsförsäkringar Sak is exposed to have not changed materially since 31 December 2019. A more detailed description of the risks to which the company is exposed and how these risks are managed is presented in note 2 Risks and risk management.

Employees

Commitment, trust, openness and professionalism are the foundation of the Länsförsäkringar AB Group's corporate culture. Skilled employees who drive and develop the operations are vital to achiev-

ing our business objectives. Attracting new and retaining existing employees is of the greatest importance. A focus on diversity, inclusion, equality, skills development, health and a good work environment are key factors in ensuring this.

Skills-based recruitment was prepared in 2020, focusing on tests to avoid discrimination. A recruitment and diversity training course for managers and union representatives was arranged during the year. The gender distribution in working groups remains satisfactory.

The Länsförsäkringar AB Group endeavours to nurture the conditions for a learning culture focusing on development. Implementation of a new employee and training system began in 2020. During the year, 200 employees completed a digital training course on artificial intelligence. A framework for the Lean Agile work method started to be implemented in order to deliver more efficient, high-quality development services to the regional insurance companies. Recruiting IT and tech skills will be a focal area for 2021.

The Länsförsäkringar AB Group has applied a long-term approach to health and the organisational, social and physical work environment for many years. The focus in 2020 was on ensuring the employees remained safe and engaged in their work during the pandemic. To limit the spread of the virus and ensure a safe and secure workplace, guidelines were prepared in early spring 2020 based on the Public Health Agency's advice and recommendations. Most employees have been able to perform their work duties remotely. Health programmes and lectures were made available as support and employees were provided with the necessary office equipment in their home. Activity-based working continued to be rolled out during the year, enabling employees to work in the way, with the technology and in the place that offer the best support for performing their duties. New insights into the workplace of the future resulting from the COVID-19 pandemic reinforce activity-based working. The organisational and social work environment is regularly monitored in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4). Health care insurance is offered to all employees that includes medical consultations, counselling, preventive health services and rehabilitation.

Sustainability

The Länsförsäkringar AB Group's sustainability activities are based on the vision of "Together we create security and opportunities." Länsförsäkringar Sak can reduce its sustainability risks, increase customer value, contribute to the positive development of society and create business value by taking economic, social and environmental aspects into consideration in its business development and business decisions. Länsförsäkringar is a signatory to the principles of the UN Global Compact and works to contribute to the UN Sustainable Development Goals (SDGs). Länsförsäkringar Sak does not prepare a statutory Sustainability Report in accordance with Chapter 6, Section 10 of the Swedish Annual Accounts Act. Länsförsäkringar AB prepares a Sustainability Report for the Group in which Länsförsäkringar Sak is included. The Group's Sustainability Report can be found in Länsförsäkringar AB's 2020 Annual Report on the pages listed in the Index ÅRL Sustainability Report on page 148.

Earnings and financial position

Profit before appropriations and tax for 2020 amounted to SEK 209 M (1,478). Profit from insurance operations amounted to SEK 88 M (133) and profit from financial operations to SEK 136 M (1,346). Last year's earnings for the financial operations included non-recurring effects from the divestment of a large property holding.

Profit from insurance operations

Premiums earned after ceded reinsurance increased 9% to SEK 2,339 M (2,142). Several new agreements signed for cargo, liability and motor insurance increased premiums earned. Strong sales of the Bo kvar product increased premiums earnings in health insurance. Health care insurance continued to report solid growth, mainly driven by a highly functional digital sales channel and customer care and a refined, differentiated offering that was well received by the market. Internationally assumed reinsurance also increased premiums earned.

The technical result amounted to SEK 88 M (133). The change in earnings compared with the preceding year was largely due to higher claims costs. Earnings for health care insurance were negative as a result of higher claims costs, both for claims in 2020 and higher reserves for prior-year claims, related to operations and medical care. Internationally assumed reinsurance also reported negative earnings after higher claims costs due to events such as the explosion in Beirut, natural disasters in the US and run-off losses from claims in previous years. Earnings for the Länsförsäkringar Alliance's internal reinsurance, to which Länsförsäkringar Sak contributes a 15% share of assumed reinsurance, improved as a result of lower net claims costs. Earnings for motor insurance improved, mainly as an effect of run-off gains following the review of prior-year reserves for motor third-party liability insurance. Accident insurance reported improved earnings as a result of previous premium adjustments and a review of conditions. Cargo and liability insurance continued to deliver stable and positive earnings.

Claims payments after ceded reinsurance increased to SEK 1,819 M (1,580) and the claims ratio was 77% (74). Claims costs primarily increased in health care insurance and internationally assumed reinsurance. Operating expenses declined to SEK 439 M (445) and the expense ratio was 19% (21). The COVID-19 pandemic resulted in a reduction in marketing activities, which contributed to lower operating expenses. The combined ratio amounted to 96% (95).

Profit from financial operations

The total return on investment assets was 3.4% (10.0). Properties, which amounted to 24% of the investment assets at the end of the period, yielded a high return during the year, mainly driven by a positive change in value, and contributed 1.6 percentage points to the total return. The fixed-income portfolio, which has a short duration, contributed a total of 0.3 of a percentage point, with the most positive contributions from mainly US interest-rate durations and the trend in Swedish housing spreads. Equities performed favourably during the year, contributing 0.9 of a percentage point. This year's new forest class of asset in alternative investments generated the highest investment returns in the portfolio, contributing 0.6 of a percentage point.

The lower return compared with the preceding year was mainly due to the lower contribution from equities, properties and interest-bearing assets.

From 2020, the return for each class of asset is expressed in SEK. This means that the currency effects (exchange-rate fluctuations and hedging costs) of each class of asset are part of its return and thus currency is not commented on separately.

Investment income recognised in profit or loss amounted to SEK 145 M (1,367). Last year's figure was impacted by a capital gain from the divestment of a large property holding during the year (the owner-occupied property in HB 2 Utile Dulci). This property was recognised at cost in the partnership and the surplus value in the holdings was recognised in solvency capital. Profit or loss also includes operating expenses for Asset Management and dividends from subsidiaries that are not included in the return figure above. The dividend received last year was SEK 20 M. In 2020, all dividends were paid from subsidiaries in the form of Group contributions that are booked directly against equity and not as investment income in profit or loss.

Proposed appropriation of the insurance company's profit or loss

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolaget (publ), non-restricted equity of SEK 343,121,404 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	318,535,541
Group contributions paid	-175,000,000
Tax on Group contributions	37,450,000
Net profit for the year	162,135,863
Total	343,121,404

The Board of Directors proposes that profit be appropriated as follows:

To be distributed to the owner	-
To be carried forward	343,121,404
Total	343,121,404

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 197% (197).

The insurance company's financial position does not result in any other assessment than that the insurance company can be expected to fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

Five-year summary

SEK M	2020	2019	2018	2017	2016
EARNINGS					
Premiums earned (after ceded reinsurance)	2,339	2,142	2,128	2,218	2,199
Investment income transferred from financial operations	8	17	21	24	14
Claims payments (after ceded reinsurance)	-1,819	-1,580	-1,575	-1,454	-1,666
Operating expenses	-439	-445	-453	-410	-443
Other technical revenue and expenses	-1	-2	-1	-1	-1
Technical result for insurance operations	88	133	120	637	103
Remaining investment income	136	1,346	103	611	477
Other non-technical expenses	-	-	-	-	-
Profit before appropriations and tax	224	1,478	223	1,248	580
Net profit for the year	162	1,398	379	1,013	518
Premium income (after ceded reinsurance)					
Non-life insurance	2,407	2,181	2,091	2,204	2,203
FINANCIAL POSITION					
Investment assets measured at fair value	6,075	6,984	6,907	7,497	7,405 ¹⁾
Technical provisions (after ceded reinsurance)	3,802	3,682	3,729	3,780	4,130
Solvency capital					
Equity	547	1,319	501	697	751
Deferred tax	-7	-6	-3	4	6
Untaxed reserves	1,154	1,139	1,139	1,375	1,271
Surplus values ⁷⁾	1,685	1,206	1,887	1,543	1,370
Solvency capital	3,379	3,657	3,524	3,619	3,398
Solvency margin, %	140	168	169	164	155
Own funds	3,825	3,479²⁾	3,586²⁾	3,306	3,453
Minimum capital requirement	875	793⁸⁾	709	674	597
Solvency capital requirement	1,944	1,762⁸⁾	1,576	1,498	1,326
Solvency ratio, %	197	197⁸⁾	228	221	260
Own funds for insurance group³⁾	57,412	50,220	43,870	44,172	40,602
Solvency capital requirement for insurance group³⁾	39,186	37,776	33,874	33,441	30,121
Solvency ratio, % for insurance group³⁾	147	133	130	132	135
KEY FIGURES					
Insurance operations					
Claims ratio	77	74	74	66	76
Expense ratio	19	21	21	18	20
Combined ratio	96	95	95	84	96
Asset management					
Direct yield, including properties in Group companies ^{4,5)}	0.2	-0.2	-0.1	8.0	0.6
Total return ratio, including properties in Group companies ⁴⁾	3.4	10.0	5.6	5.6	5.7

¹⁾ Comparative figures for 2016 have been restated because accrued interest is recognised together with financial instruments measured at fair value.

See note 1 for further information.

²⁾ Of which SEK 3,825 M (3,479) is Tier 1 capital.

³⁾ The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. Länsförsäkringar Liv Försäkrings AB is also included in the group, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from surplus capital in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.

⁴⁾ Comparative figures for 2016 have not been restated since surplus values of properties in Group companies have been included and dividends from insurance subsidiaries have been excluded.

- ⁵⁾ Direct yield refers to the total of operating net from properties, interest income, interest expense, other financial expenses, dividends on shares and participations (excluding dividends on participations in insurance subsidiaries) in relation to the average value of the investment assets during the year, including surplus values of properties in Group companies.
- ⁶⁾ 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, 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.
- ⁷⁾ Items included in Surplus values, see note 13 Shares and participations in Group companies and note 15 Shares and participations in associated companies, with information about the valuation of shares. Surplus values are calculated as the difference between the Fair Value and Carrying Amount of these shares/participations.
- ⁸⁾ Comparative figure refers to the restated solvency ratio per Q4 2019. In 2020, the capital requirement per Q4 2019 was restated due to the changed handling of loss absorption in deferred taxes.

Financial statements

Income statement	12
Statement of other comprehensive income	12
Performance analysis	13
Balance sheet	15
Statement of changes in equity	17
Note 1 Accounting policies	18
Note 2 Risks and risk management	23
Note 3 Premium income	31
Note 4 Investment income transferred from financial operations	31
Note 5 Claims payments	31
Note 6 Operating expenses	31
Note 7 Fees and remuneration of auditors	31
Note 8 Employees, staff costs and remuneration of senior executives	31
Note 9 Investment income, net	33
Note 10 Taxes	33
Note 11 Goodwill	34
Note 12 Other intangible assets	34
Note 13 Shares and participations in Group companies	34
Note 14 Interest-bearing securities issued by Group companies and loans to Group companies	34
Note 15 Shares and participations in associated companies	35
Note 16 Shares and participations	35
Note 17 Bonds and other interest-bearing securities	35
Note 18 Derivatives	36
Note 19 Information about offsetting	36
Note 20 Receivables, direct insurance	36
Note 21 Other receivables	36
Note 22 Deferred acquisition costs	37
Note 23 Unearned premiums and unexpired risks	37
Note 24 Claims outstanding	37
Note 25 Pensions and similar commitments	38
Note 26 Other provisions	38
Note 27 Liabilities, direct insurance	38
Note 28 Other liabilities	38
Note 29 Other accrued expenses and deferred income	38
Note 30 Financial assets and liabilities by category	39
Note 31 Anticipated recovery and settlement periods, amounts expected to be recovered	41
Note 32 Pledged assets and contingent liabilities	41
Note 33 Disclosures on related parties	42
Note 34 Supplementary disclosures on income-statement items by insurance class	42
Note 35 Significant events after the end of the fiscal year	43
Note 36 Appropriation of profit	43

Income statement			
Technical recognition of non-life insurance operations, SEK M	Note	2020	2019
Premiums earned (after ceded reinsurance)			
Premium income	3	4,348.4	3,921.4
Premiums for ceded reinsurance		-1,941.5	-1,740.2
Change in Provision for unearned premiums and unexpired risks		-191.8	-236.9
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks		124.0	197.5
Total		2,339.1	2,141.8
Investment income transferred from financial operations	4	7.9	17.4
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,814.5	-2,812.3
Reinsurers' portion		1,120.7	1,117.6
Total	5	-1,693.8	-1,694.7
Change in Provision for claims outstanding			
Before ceded reinsurance		-1,071.1	1,381.7
Reinsurers' portion		946.4	-1,267.2
Total		-124.7	114.5
Claims payments (after ceded reinsurance)			
		-1,818.5	-1,580.2
Operating expenses	6, 7, 8	-438.6	-444.9
Other technical expenses		-1.4	-1.5
TECHNICAL RESULT FOR NON-LIFE INSURANCE OPERATIONS		88.4	132.6
NON-TECHNICAL RECOGNITION			
Technical result for non-life insurance operations		88.4	132.6
Investment income, revenue	9	154.0	1,326.6
Unrealised gains on investment assets	9	56.9	99.6
Investment income, expenses	9	-45.7	-59.1
Unrealised losses on investment assets	9	-20.2	-0.1
Investment income transferred to non-life insurance operations		-9.2	-21.5
Profit before appropriations and tax		224.2	1,478.1
Appropriations			
Tax allocation reserve		-15.0	-
Profit before tax		209.2	1,478.1
Tax on net profit for the year	10	-47.1	-79.7
Net profit for the year		162.1	1,398.4

Statement of other comprehensive income			
SEK M		2020	2019
Net profit for the year		162.1	1,398.4
Other comprehensive income			
Items that cannot be transferred to profit and loss			
Change in fair value of equity instruments measured at FVOCI		-1.8	2.2
Total comprehensive income		160.3	1,400.6

Performance analysis 2020

SEK M	Total	Accident and health	Health care	Commercial	Legal expenses	Liability	Motor third party liability
Technical result for non-life insurance operations							
Premiums earned (after ceded reinsurance)	2,339.1	362.4	791.2	105.8	2.3	165.2	33.6
Investment income transferred from financial operations	7.9	0.2	-	0.5	0.0	4.9	0.8
Claims payments (after ceded reinsurance)	-1,818.5	-234.6	-661.0	-88.3	-2.4	-91.3	-18.7
Operating expenses	-438.6	-75.8	-155.7	-16.4	-0.5	-37.9	-4.8
Other technical expenses	-1.4	-	-	-	-	-	-1.2
Technical result for non-life insurance operations, 2020	88.5	52.2	-25.5	1.6	-0.6	40.9	9.7
Technical result for non-life insurance operations, 2019	132.6	35.7	32.4	10.7	1.0	90.4	-4.5
Run-off result (before ceded reinsurance) 2020 ^{1,2)}	381.1	52.6	0.9	-24.0	-1.4	56.5	13.0
Run-off result (after ceded reinsurance) 2020	177.6	52.6	0.9	-4.9	-1.4	56.5	22.6
Technical provisions before ceded reinsurance							
Provision for unearned premiums and unexpired risks	1,048.2	55.7	191.0	67.8	0.9	129.1	15.8
Provision for claims outstanding	13,255.0	782.3	107.5	167.8	2.0	808.3	1,780.9
Total technical provisions, before ceded reinsurance	14,303.2	838.0	298.5	235.6	2.9	937.4	1,796.7
Reinsurers' portion of technical provisions							
Provision for unearned premiums and unexpired risks	445.1	-	-	16.6	0.1	3.2	0.0
Provision for claims outstanding	10,056.3	-	-	58.0	0.0	0.3	1,658.5
Total reinsurers' portion of technical provisions	10,501.4	-	-	74.6	0.1	3.5	1,685.5

¹⁾ Most of the gross run-off gain derives from the Group's joint reinsurance programme.

²⁾ The risk margin is included as part of the Provision for claims outstanding and calculated as an addition to the undiscounted best estimate of the provision for claims payments per claim year. The risk margin is calculated and recognised in each claim year and there are expected run-off gains for previous claim years since the best estimate of the provision for claims payments is recognised as expected future costs and the risk margin comprises an addition to these. At the same time that the risk margin is discounted for prior years' claims as a function of the discontinuation of the best estimate of the provision for claims payments for each claim year, a provision is made for the risk margin for this year's claims and thus affects the result for claims for the year.

Notes to Performance analysis

SEK M	Total	Accident and health	Health care	Commercial	Legal expenses	Liability	Motor third party liability
Note A Premiums earned (after ceded reinsurance)							
Premium income	4,348.4	369.6	796.2	150.9	2.5	193.6	47.4
Premiums for ceded reinsurance	-1,941.5	-1.6	-	-44.0	-0.1	-12.1	-7.0
Change in Provision for unearned premiums and unexpired risks	-191.8	-5.6	-5.0	-3.9	-0.1	-16.7	-6.8
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	124.0	-	-	2.8	0.0	0.4	0.0
Premiums earned (after ceded reinsurance)	2,339.1	362.4	791.2	105.8	2.3	165.2	33.6
Note B Claims payments (after ceded reinsurance)							
Claims paid							
Before ceded reinsurance	-2,814.5	-216.0	-641.7	-61.1	-1.9	-133.5	-103.0
Reinsurers' portion	1,120.7	-	0.1	9.9	-	0.1	65.6
Change in provision for claims outstanding							
Before ceded reinsurance	-1,071.1	-18.6	-19.4	-63.5	-0.5	42.0	76.4
Reinsurers' portion	946.4	-	-	26.4	-	0.1	-57.7
Claims payments (after ceded reinsurance)	-1,818.5	-234.6	-661.0	-88.3	-2.4	-91.3	-18.7

Performance analysis 2020

SEK M	Motor	Transit	Household and homeowner	Credit and Guarantees	Direct insurance Swedish risks	Direct insurance foreign risks	Total assumed reinsurance
Technical result for non-life insurance operations							
Premiums earned (after ceded reinsurance)	131.5	130.1	-	1.6	1,723.7	6.3	609.1
Investment income transferred from financial operations	0.0	-	-	0.0	6.4	0.0	1.5
Claims payments (after ceded reinsurance)	-106.4	-86.4	-	-1.0	-1,290.1	1.4	-529.8
Operating expenses	-16.2	-33.6	-	-1.0	-341.9	-0.7	-96.0
Other technical expenses	-0.2	-	-	-	-1.4	-	-
Technical result for non-life insurance operations, 2020	8.7	10.1	-	-0.4	96.7	7.0	-15.2
Technical result for non-life insurance operations, 2019	9.2	15.6	-	-1.3	189.2	-1.6	-55.0
Run-off result (before ceded reinsurance) 2020 ^{1,2)}	-3.7	-8.8	-	2.3	87.4	2.2	291.5
Run-off result (after ceded reinsurance) 2020	-1.7	-6.9	-	0.5	118.2	2.3	57.1
Technical provisions before ceded reinsurance							
Provision for unearned premiums and unexpired risks	419.7	45.1	1.1	15.3	941.5	3.2	103.5
Provision for claims outstanding	82.4	52.1	1.0	6.0	3,790.3	1.9	9,462.8
Total technical provisions, before ceded reinsurance	502.1	97.2	2.1	21.3	4,731.8	5.1	9,566.3
Reinsurers' portion of technical provisions							
Provision for unearned premiums and unexpired risks	372.1	1.8	-	12.3	406.1	1.3	37.7
Provision for claims outstanding	51.7	0.6	-	4.1	1,773.2	1.3	8,281.8
Total reinsurers' portion of technical provisions	423.8	2.4	-	16.4	2,179.3	2.6	8,319.5

¹⁾ Most of the gross run-off gain derives from the Group's joint reinsurance programme.

²⁾ The risk margin is included as part of the Provision for claims outstanding and calculated as an addition to the undiscounted best estimate of the provision for claims payments per claim year. The risk margin is calculated and recognised in each claim year and there are expected run-off gains for previous claim years since the best estimate of the provision for claims payments is recognised as expected future costs and the risk margin comprises an addition to these. At the same time that the risk margin is discounted for prior years' claims as a function of the discontinuation of the best estimate of the provision for claims payments for each claim year, a provision is made for the risk margin for this year's claims and thus affects the result for claims for the year.

Notes to Performance analysis

SEK M	Motor	Transit	Household and homeowner	Credit and Guarantees	Direct insurance Swedish risks	Direct insurance foreign risks	Total assumed reinsurance
Note A Premiums earned (after ceded reinsurance)							
Premium income	356.7	138.7	-	10.1	2,065.7	10.9	2,271.8
Premiums for ceded reinsurance	-208.3	-4.7	-	-8.1	-285.9	-4.1	-1,651.5
Change in Provision for unearned premiums and unexpired risks	-130.6	-4.1	-	-2.3	-175.1	-0.1	-16.6
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	113.7	0.2	-	1.9	119.0	-0.4	5.4
Premiums earned (after ceded reinsurance)	131.5	130.1	-	1.6	1,723.7	6.3	609.1
Note B Claims payments (after ceded reinsurance)							
Claims paid							
Before ceded reinsurance	-213.4	-72.8	-	-0.9	-1,444.3	0.3	-1,370.5
Reinsurers' portion	110.7	3.7	-	0.6	190.7	0.2	929.8
Change in provision for claims outstanding							
Before ceded reinsurance	-36.1	-17.2	-	-1.7	-38.6	-0.3	-1,032.2
Reinsurers' portion	32.4	-0.1	-	1.0	2.1	1.2	943.1
Claims payments (after ceded reinsurance)	-106.4	-86.4	-	-1.0	-1,290.1	1.4	-529.8

Balance sheet

SEK M	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Intangible assets			
Goodwill	11	0.0	0.0
Other intangible assets	12	1.4	2.8
Total		1.4	2.8
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	13	1,350.6	1,130.6
Interest-bearing securities issued by Group companies and loans to Group companies	14	64.4	353.5
Shares and participations in associated companies	15	16.7	16.7
Other financial investment assets			
Shares and participations	16	979.1	918.8
Bonds and other interest-bearing securities	17	1,823.0	3,248.1
Derivatives	18, 19	31.3	271
Deposits with companies that have ceded reinsurance		125.3	83.0
Total		4,390.4	5,777.8
Reinsurers' portion of Technical provisions			
Unearned premiums and unexpired risks	23	445.1	323.2
Claims outstanding	24	10,056.3	9,114.9
Total		10,501.4	9,438.1
Receivables			
Receivables, direct insurance	20	474.9	414.0
Receivables, reinsurance		427.4	747.8
Other receivables	21	1,459.8	885.4
Total		2,362.1	2,047.2
Other assets			
Tangible assets		1.2	2.2
Cash and bank balances		206.9	114.3
Deferred tax	10	6.8	5.5
Total		214.9	122.0
Prepaid expenses and accrued income			
Deferred acquisition costs	22	62.2	50.4
Other prepaid expenses and accrued income		13.9	7.3
Total		76.1	57.7
TOTAL ASSETS		17,546.2	17,445.6

Balance sheet, cont.

SEK M	Note	31 Dec 2020	31 Dec 2019
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital (2,000,000 shares)		200.0	200.0
Statutory reserve		4.0	4.0
Fair value reserve		35.6	37.3
Retained earnings		145.4	-320.4
Net profit for the year		162.1	1,398.4
Total		547.1	1,319.3
Untaxed reserves			
Contingency reserve		1,138.8	1,138.8
Tax allocation reserve		15.0	-
Total		1,153.8	1,138.8
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	23	1,048.2	885.6
Claims outstanding	24	13,255.0	12,234.6
Total		14,303.1	13,120.2
Other provisions			
Pensions and similar commitments	25	24.4	23.3
Deferred tax liabilities	10	-	-
Current tax liabilities		-	16.2
Other provisions	26	8.9	9.8
Total		33.3	49.3
Deposits from reinsurers			
		20.6	4.4
Liabilities			
Liabilities, direct insurance	27	609.3	372.9
Liabilities, reinsurance		318.8	781.7
Derivatives	18, 19	10.0	14.2
Other liabilities	28	306.6	472.1
Total		1,244.7	1,640.9
Accrued expenses and deferred income			
Reinsurers' portion of deferred acquisition costs	22	4.9	4.0
Other accrued expenses and deferred income	29	238.5	168.7
Total		243.4	172.7
TOTAL EQUITY, PROVISIONS AND LIABILITIES	31	17,546.2	17,445.6

Statement of changes in equity

SEK M	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Net profit for the year	
Opening equity, 1 January 2019	200.0	4.0	35.1	-117.8	379.3	500.6
Appropriation of profit	-	-	-	379.3	-379.3	-
Dividends to Parent Company	-	-	-	-295.0	-	-295.0
Group contributions paid	-	-	-	-365.0	-	-365.0
Tax on Group contributions	-	-	-	78.1	-	78.1
Net profit for the year	-	-	-	-	1,398.4	1,398.4
Other comprehensive income for the year	-	-	2.2	-	-	2.2
Closing equity, 31 December 2019	200.0	4.0	37.3	-320.4	1,398.4	1,319.3
Opening equity, 1 January 2020	200.0	4.0	37.3	-320.4	1,398.4	1,319.3
Appropriation of profit	-	-	-	1,398.4	-1,398.4	0.0
Dividends to Parent Company	-	-	-	-795.0	-	-795.0
Group contributions paid	-	-	-	-175.0	-	-175.0
Tax on Group contributions	-	-	-	37.5	-	37.5
Net profit for the year	-	-	-	-	162.1	162.1
Other comprehensive income for the year	-	-	-1.8	-	-	-1.8
Closing equity, 31 December 2020	200.0	4.0	35.6	145.4	162.1	547.1

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 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 2019. Länsförsäkringar Sak Försäkringsaktiebolag is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 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 (1995:1560) (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports at insurance undertakings and institutions for occupational retirement provision (FFFS 2019:23) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In accordance with the regulations and general guidelines, legally restricted IFRS is applied. 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 Annual Report was approved for publication by the Board of Directors and President on 9 March 2020. Final adoption of the Annual Report will take place at the 2021 Annual General Meeting.

Conditions relating to the preparation of the company's 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. 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. 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 above mentioned 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 deferred 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 Risks and risk management. The assumption for the depreciation period for deferred 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.

Amended accounting policies applied from 1 January 2020

Länsförsäkringar Sak applies the accounting policies below from 1 January 2020.

FFFS 2019:23 Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provision

The new regulations replace the Financial Supervisory Authority's regulations and general guidelines (FFFS 2015:12) regarding annual reports at insurance undertakings. Most of the provisions were transferred to the new regulations. The requirement to prepare a cash-flow statement for unlisted companies in legal entities has been removed since it is not stipulated in law and Länsförsäkringar Sak has thus decided not to prepare a cash-flow statement.

New accounting regulations that have not yet been applied

A number of new or amended standards and interpretations described below will not take effect until forthcoming fiscal years, and have not been applied in advance when preparing these financial statements. The expected effects that the application of these new or amended standards may have on the company's financial statements are described below. Other than those, no other new or revised IFRS and interpretations not yet in force are deemed to have any material effect on the financial statements.

Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (phase 2)

The ongoing global Interest Rate Benchmark Reform aims to produce alternative risk-free rates as a replacement for interbank offered rates (IBORs) that are usually used as interest reference rates for financial assets and liabilities subject to variable interest. This Reform could result in a reform of the existing interest rate benchmark or the introduction of a new alternative benchmark rate based on transaction data.

On 27 August 2020, the IASB published amendments to several standards to prevent unwanted accounting consequences in the period after the Reform has been implemented. The amendments have not yet been adopted by the EU but are proposed to come into effect for fiscal years beginning on or

after 1 January 2021. The amendments primarily entail a practical expedient for changes to contractual cash flows of financial assets and liabilities (including lease liabilities) that allow the effective interest rate to be changed to the new interest rate benchmark and thus entail that the carrying amount remains the same as before the change. The IASB is also adjusting the relief from hedge accounting requirements by making it possible to update documentation for existing hedging relationships in order to adapt to the new interest rate benchmark.

A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform. Note 2 Risk and capital management provides disclosures on uncertainties as a result of the IBOR reform.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was published on 18 May 2017 and will replace the existing standard IFRS 4 Insurance Contracts. The new standard has not yet been approved by the EU but is expected to come into effect for fiscal years beginning on or after 1 January 2023. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The new standard will also impose expanded disclosure requirements to increase comparability between different companies. The standard was updated in 2020.

The company is following developments in Sweden and the Financial Supervisory Authority's assessment of any effects on legally restricted IFRS.

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.

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. Non-monetary assets and liabilities are recognised at the rate in effect on the date of the transaction.

Unrealised exchange-rate differences are recognised in profit or 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.

Premium income

Premium income is recognised as the total gross premium for direct insurance and assumed reinsurance that has fallen due for payment or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums for contracts with renewal before the end of the fiscal year but that are not confirmed by the policyholder and premiums for recently signed insurance contracts for which the insurance period begins before the end of the fiscal

year 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. 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. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance sheet date is recognised as Technical provisions in the statement of financial position. Provision for unearned premiums is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance sheet date is recognised as a receivable, Reinsurers' portion of technical provisions.

Claims payments

Claims payments correspond to claims paid during the accounting period and changes in provisions for claims outstanding. In addition to claims paid, claims payments include expenses for claims adjustment. Claims recoveries are recognised as a reduction of claims costs.

Investment income

Investment income, revenue and expenses

Realised gains or losses on investment assets are calculated as the difference between the purchase consideration received and the cost of the asset.

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

Unrealised gains and losses on investment assets

Unrealised gains or losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as an unrealised gain or loss, except for shares and participations that we have decided to measure at fair value through comprehensive income.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or 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. 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

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 economic 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. Amortisation takes place in the income statement according to the straight-line method. Impairment testing takes place annually.

The corresponding amount for capitalised development expenditures is reserved in equity to the Development Expenditures Fund.

Investment assets

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 – when the assets are transferred – no longer has any significant risks or benefits from the assets and also when 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 trade date, which is the time when the significant risks and rights are transferred between the parties.

Offsetting financial assets and liabilities

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.

Classification and measurement

All financial assets and liabilities are measured at fair value through profit or loss on the initial valuation date. Subsequent measurement and recognition take place depending on the measurement category to which the financial instrument belongs.

Länsförsäkringar Sak's financial assets comprise:

- Debt instruments
- Derivative instruments
- Equity instruments

Debt instruments

The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

A requirement for a financial asset to be measured at amortised cost or fair value through other comprehensive income is that the contractual cash flows solely comprise outstanding payment of the principal and interest on the principal. Debt instruments that do not meet the requirement are measured at fair value through profit or loss regardless of the business model to which the asset is attributable. All debt instruments measured at amortised cost meet these cash flow characteristics.

Amortised cost

Länsförsäkringar Sak manages its loans and receivables in a business model whose objective is to realise the assets' cash flows by receiving contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are therefore measured at amortised cost.

Amortised costs refers to the discounted present value of all future payments attributable to the instrument with the discount rate comprising the effective interest rate of the asset on the acquisition date.

Fair value through profit or loss

Länsförsäkringar Sak's debt instruments comprise holdings of interest-bearing securities or similar instruments, mutual funds classified as either shares and participations or bonds and other interest-bearing securities based on whether at least half of the managed assets comprise shares or interest-bearing securities. Assets that are debt instruments and held in a business model that entails measurement at fair value through profit or loss since the assets are managed and evaluated based on the fair values of the assets, and since the fair value comprises the basis for the internal monitoring and reporting to senior executives.

Derivative instruments

Derivative instruments measured at fair value through profit or loss. Derivatives with positive market values are recognised as assets in the balance sheet and derivatives with negatives market values are recognised as liabilities.

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities. All holdings of equity instruments that comprise holdings of a more strategic nature and that are not held for the purpose of generating investment income are measured at fair value through other comprehensive income.

Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a transfer in equity from the fair value reserve to retained earnings and thus do not impact profit or loss.

Financial liabilities

Länsförsäkringar Sak measures all financial liabilities that are not derivatives at amortised cost.

Methods for determining 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.

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. 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.

Recognised credit losses

Reserves for expected credit losses ("loss allowance") are recognised for financial assets measured at amortised cost. The initial loss allowance is calculated and recognised on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. For accounts receivable, the company uses the simplified method, which entails that a loss allowance is always measured at an amount corresponding to the full lifetime of the expected credit losses. The reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross carrying amount of the asset. Loss allowance is presented in the income statement as investment income, expenses.

Confirmed credit losses are those losses whose amount is finally established and where the assessment is that the possibility of receiving additional payments is very small. The receivable is then derecognised from the balance sheet and recognised as a confirmed loss in profit or loss on this date.

Impairment tests for 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. The recoverable amount of intangible assets that are not finished for use are calculated annually. If it is not possible to determine the significantly independent cash flows for an individual asset, the assets are to be grouped when testing for impairment at the lowest value where it is possible to identify the significantly 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 is recognised in profit or loss.

The recoverable amount is the higher of fair value less selling expenses and value in use.

Deferred acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Deferred 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 costs capitalised are commission expense and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. In the non-life insurance operations, the capitalised costs are allocated based on the length of the insurance contract. The depreciation period does not exceed 12 months.

Untaxed reserves

Changes in untaxed reserves are recognised in profit or loss under Appropriations.

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 reduced volumes in the insurance operations.

Technical provisions

Technical provisions comprise Unearned premiums and unexpired risks and Claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit or loss.

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.

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, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods whereby the indexation is estimated using break even inflation and discounting takes place using the Solvency II nominal yield curve. 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 Risks and risk management, 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, with the exception of annuities and certain insignificant amounts of accident insurance. If testing reveals that the provisions are insufficient, the change is recognised in profit or 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.

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' liability for technical provisions in accordance with signed contracts. Länsförsäkringar Sak assesses impairment requirements of assets for reinsurance contracts. 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 or loss.

Remuneration of employees

Pension plans

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.

The pension agreement for the insurance industry, the FTP plan, 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. The defined-benefit portion is insured through the Insurance Industry's Pension Fund (FPK). This pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and of the plan assets and expenses associated with the pension commitment. Disclosures are also to be presented in the accounts according to the requirements for defined-benefit pension plans.

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan. Nor is any information available on surpluses and deficits in the plan or whether these would then affect the annual contributions to the plan in future years.

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, or cannot be measured with sufficient reliability.

Risk-management system at Länsförsäkringar Sak

The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that own funds are adequate in relation to the risks taken. A shared risk-management system, which forms part of the internal-control system, has been established in the Länsförsäkringar AB Group. The risk-management system is defined as the strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the company is able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could become, exposed to.

Prospective analyses in the form of own risk and solvency assessments (ORSA) are performed every year. The overall aim of an ORSA is to ensure that own funds are and remain sufficient for bearing the risks associated with realising the business plan. Ongoing activities include handling known risks and identifying new risks. The company uses a partial internal model approved by the Swedish Financial Supervisory Authority to calculate the capital requirement.

Risk-management organisation

The Group's risk-management system is described in the Group instructions and a Group-wide risk policy adopted by the Board of Länsförsäkringar AB and approved by the Board of each subsidiary. Each insurance subsidiary then prepares a company-specific risk policy based on the Group-wide policy. Based on this Group-wide risk-management system, the subsidiaries also prepare more detailed rules for managing company-specific risks.

The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets with a higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function in the second line of defence. The Compliance and Actuarial functions also have a role to play in risk management. The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

The risk-management function is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. Regular risk reports are submitted to the President, management and the Risk and Capital Committee and Audit Committee, and to the Board.

The Actuarial function is responsible for coordinating and ensuring the quality of the technical calculations and investigations and assisting the Board and President in actuarial matters. The Actuarial function is also responsible for reporting, on its own initiative, to the Board and President on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks, reinsurance cover and other risk-reduction techniques.

The Compliance function is an independent control function responsible for monitoring and controlling regulatory compliance in the licensable operations. The function identifies and reports on risks that may arise as a result of non-compliance with regulations and provides recommendations for action to relevant personnel, the President and the Board.

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

Capital planning

The management of risk-taking is closely related to the control of the use of the company's capital. An 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 own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

The company has own funds that exceed the statutory solvency requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the business decisions. Quantitative information on own funds, capital requirements and the solvency ratio is provided in table 8.

Risk map and capital requirements

Länsförsäkringar Sak is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment. This is described in greater detail in the Länsförsäkringar AB Group's Solvency and Financial Condition Report.

The following points describe Länsförsäkringar Sak's operations and risk-taking:

- Conducting non-life insurance operations using reinsurance where deemed necessary from a risk and business perspective.
- The operations largely comprise short-tail business, with elements of more long-term commitments in, for example, the liability business line.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- In addition, internationally assumed reinsurance is conducted and some international operations in the Reinsurance and Special Insurance business area via fronting and FOS business.
- The company manages the reinsurance cover for the entire Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- The company is exposed to volatility in the financial markets through the Länsförsäkringar Sak Group's investment assets that are restricted by the Board's investment guidelines. Exposure primarily derives from an active investment portfolio, but also from strategic holdings.
- As a licensable company under the supervision of the Swedish Financial Supervisory Authority, the company is affected by regulations that impact its business strategy and risk-taking.

The figures below (figure 1 and 2) show the allocation of risk in the Länsförsäkringar Sak Group, which includes the subsidiaries and transparency to present the company's capital requirement that takes into account each subsidiary's

underlying risks on 31 December 2020, classified by risk categories. The company defines its risk profiles as equivalent to the calculated capital requirement and associated qualitatively evaluated risks.

Figure 1. Classification of risk at Länsförsäkringar Sak

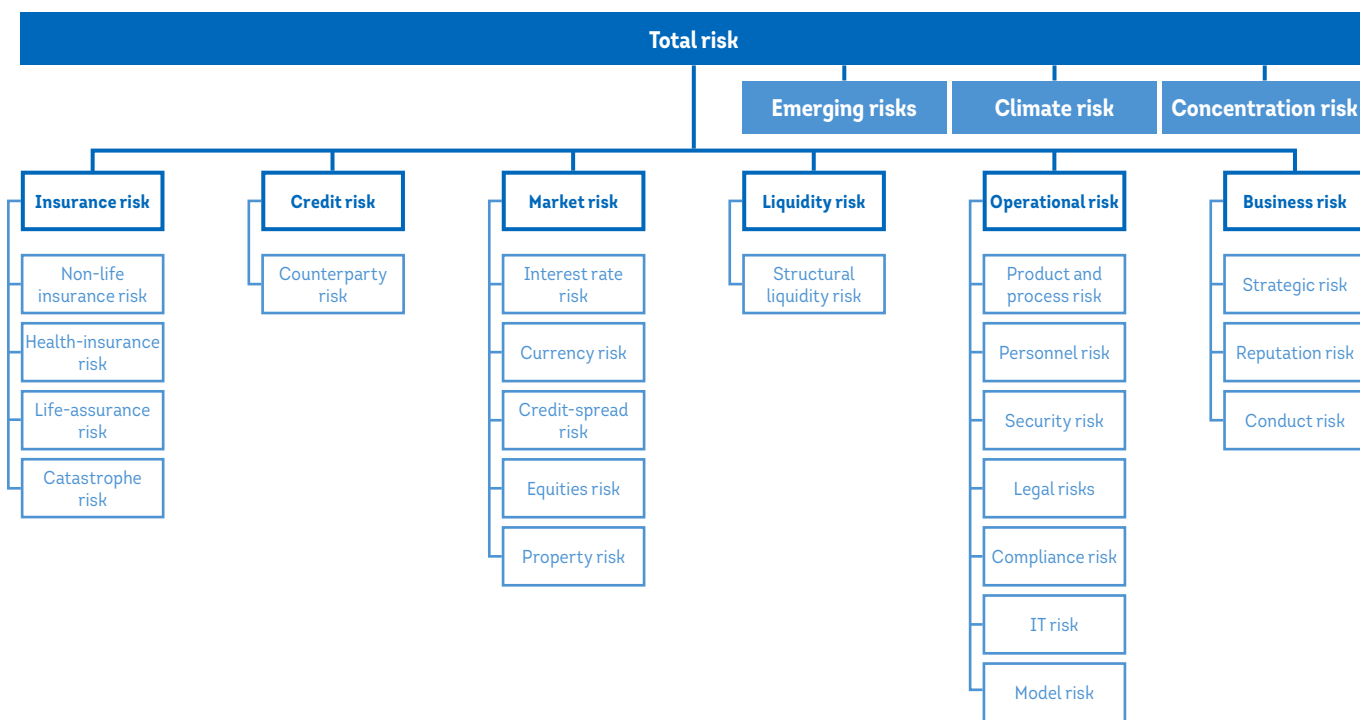
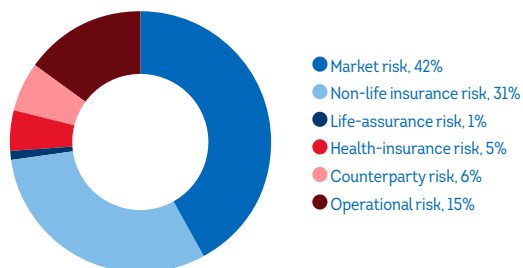
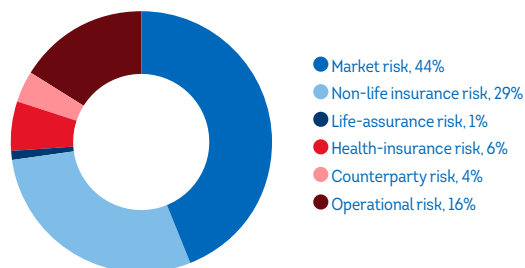


Figure 2. Regulatory capital requirement per risk category in accordance with Solvency II, including diversification under Länsförsäkringar's internal model

31 December 2020



31 December 2019



Länsförsäkringar Sak's largest net risk exposure is found in the investment assets that the company has and is thus included in market risk. The largest gross insurance risk exposure is the commitments in the Member-company pool together with the regional insurance companies and the motor third party liability pool. These gross exposures are restricted by the reinsurance cover, which is why the net risk is low relative to other insurance risks.

Insurance risks

Non-life insurance, health insurance and life-assurance risk arise in Länsförsäkringar Sak in the form of premium, reserve, catastrophe and cancellation risk. Premium risk refers to the risk of losses arising due to the coming year's claims being greater than expected. Reserve risk refers to the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding. 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. Cancellation risk in non-life insurance refers to the risk of losses arising or negative changes in insurance liabilities due to changed levels of stops in premium payments, cancellations, renewal and repurchases.

Risk exposure

Länsförsäkringar Sak underwrites liability, cargo, property and motor insurance as well as assumed international reinsurance. The company also has a share of the pools that now comprise the Länsförsäkringar Alliance's joint reinsurance solution. Furthermore, the company has insurance commitments in accident and health as well as health care insurance.

Insurance risk in Länsförsäkringar Sak is dominated by non-life insurance risk, mainly comprising premium risk, followed by reserve risk and health-insurance risk. Catastrophe risk comprises minor exposure through the use of reinsurance cover with relatively low retention, which limits catastrophe exposure. 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 at Länsförsäkringar Sak is low and 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. The company is also exposed to cancellation risk since expected profit included in future premiums for existing insurance contracts is part of the company's own funds.

Risk Management

To limit risk, the company endeavours to have a well-diversified portfolio with a well-defined structure of insurance terms and conditions, risk selection criteria and risk inspections depending on the business line. The company has insured itself against the risk of very large claims through ceded reinsurance. 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 limits per counterparty and limits for retention are managed through governance documents and also the use of reinsurers is limited to companies with high credit ratings. Reinsurance for motor third-party liability and accident insurance is managed on the basis of pool solutions in the Länsförsäkringar Alliance, which in turn is protected with external reinsurance cover. 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.

Risk sensitivity

Table 1 shows the sensitivity of the company's earnings and equity to changes in premium levels, claims frequency and claims inflation. The risk sensitivity of the insurance commitments underwritten in Länsförsäkringar Sak is presented below. The description does not include the insurance commitments in the subsidiaries, as opposed to how the insurance risk is measured in the partial internal model.

Table 1. Sensitivity analysis, insurance risk (SEK M)

		Impact on profit before tax		Impact on equity	
Assumption		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Premiums	10% lower premium level	-234	-214	-184	-168
Insurance risk – claims	10% increased claims frequency/ average claim	-182	-158	-143	-124
Non-life insurance – claims inflation	1% higher annual claims inflation	-152	-141	-119	-111

Table 2 shows the distribution of claims costs by term. Run-off gains for prior years' claims, excluding annuities, totalled SEK -381 M, specified by insurance line according to the performance analysis below. Run-off gains for own account for the year amounted to SEK -178 M.

An estimate of the cost of claims outstanding – a gross SEK 13,256 M (12,235) – 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 amounted to SEK 3,200 M (3,120).

The average duration of Länsförsäkringar Sak's insurance portfolio is 3.4 years (3.2). Table 2 shows the distribution of expected payments of claims outstanding, calculated at present value, according to claim year before and after reinsurance.

Table 2. Estimated claims costs gross and for own account, per claim year (SEK M)

Table 2 shows the annual trend for estimated final claims costs from the end of the claim year and beyond, gross and for own account. The table includes claims paid and the provision for claims payments including the provision for unknown claims (claims incurred but not reported (IBNR)). The trend in claims adjustment costs and payments of determined annuities is not included in the table. However, the claims adjustment reserve and annuity reserve are recognised on separate lines. Certain business lines in assumed reinsurance that were previously excluded were included this year. The table has also been supplemented with a table for own account. Assumed reinsurance taken out on an underwriting annual basis and for which historical information about claim year is not available is till excluded from the table. The provision for claims payments for these business lines is recognised on a separate line. Amounts in different currencies have all been converted at the closing-day rate.

Estimated claims costs gross, SEK M	2013	2014	2015	2016	2017	2018	2019	2020	Total
At end of claim year	2,236.1	2,642.1	2,055.7	1,898.9	1,994.3	2,465.2	2,499.1	3,449.5	
One year later	2,206.4	2,559.5	1,922.4	1,726.5	1,929.8	2,179.4	2,428.1		
Two years later	2,260.2	2,509.3	1,923.7	1,631.5	1,825.7	2,135.7			
Three years later	2,203.1	2,440.4	1,934.8	1,565.9	1,793.9				
Four years later	2,129.8	2,457.8	1,888.0	1,550.3					
Five years later	2,123.4	2,235.2	1,884.6						
Six years later	2,100.1	2,184.8							
Seven years later	2,075.3								
Estimated claims costs	2,075.3	2,184.8	1,884.6	1,550.3	1,739.9	2,135.7	2,428.1	3,449.5	
Accumulated claims payments	1,746.1	1,624.1	1,472.8	1,095.0	1,305.9	1,577.8	1,682.2	989.2	
Provision for claims payments	329.2	560.7	411.8	455.3	488.0	557.9	746.0	2,460.2	6,008.9
Provision for claims payments, older year classes									4,451.7
Provision for claims payments for assumed reinsurance									1,064.4
Total provision for claims payments, gross									11,525.0
Annuity reserve, gross									1,518.1
Claims adjustment reserve, gross									211.8
Provision for claims outstanding, gross									13,254.9

Estimated claims costs for own account, SEK M	2013	2014	2015	2016	2017	2018	2019	2020	Total
At end of claim year	977.3	1,034.3	1,081.1	1,130.8	1,150.3	1,256.4	1,207.6	1,305.3	
One year later	864.9	880.8	945.2	938.6	1,121.7	1,164.2	1,151.8		
Two years later	912.2	1,014.3	945.5	945.4	1,102.3	1,131.8			
Three years later	928.1	933.6	964.5	919.1	1,093.3				
Four years later	884.9	938.4	966.5	907.4					
Five years later	882.8	936.0	967.3						
Six years later	881.8	915.1							
Seven years later	864.0								
Estimated claims costs	864.0	915.1	967.3	907.4	1,093.3	1,131.8	1,151.8	1,305.3	
Accumulated claims payments	823.3	844.8	897.9	818.0	988.6	985.5	899.7	716.5	
Provision for claims payments	40.7	70.2	69.4	89.4	104.7	146.3	252.1	588.9	1,361.8
Provision for claims payments, older year classes									587.1
Provision for claims payments for assumed reinsurance									790.2
Total provision for claims payments, for own account									2,739.1
Annuity reserve, for own account									247.7
Claims adjustment reserve, for own account									211.8
Provision for claims outstanding, for own account									3,198.6

Market risk

Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities. Concentration risk in market risk is the risk of losses arising due to investment assets not being well-diversified.

Risk exposure

Market risks primarily derive from the company's investment portfolio and to a lesser extent from insurance liabilities. The main asset classes in portfolio management are interest-bearing securities, equities, property and alternative investments.

Property exposure derives from the holdings of shares in the property company Humlegården that owns, manages and develops office properties in Stockholm.

The interest-bearing asset portfolios include interest rate risk from government bonds, corporate bonds and derivative instruments. The company has credit-spread risk in Swedish and international bonds and loan funds. Interest rate risk is also inherent in insurance liabilities by provisions being discounted by the current market interest rate.

The company's primary equities exposure is to Swedish, European and US equities but also Japanese equities and equities in emerging markets. Currency exposure deriving from insurance liabilities and other insurance-related assets and liability items as well as other investment assets in currencies is partially hedged.

Concentration risk could lead to the company being exposed to a homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. However, the company has a well-diversified asset portfolio with low concentration risk.

Risk Management

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

The main risk-reduction technique applied to the management of assets in the Group's companies is diversification. The companies' investments are spread over several classes of assets and segment in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. Derivative instruments are also used to a certain extent

in the management of assets in the Group's companies to protect the companies' balance sheets from undesired market risks. Fixed-income futures and forwards and interest rate swaps are used in management to reduce interest rate risk. Currency futures are also regularly used to reduce the net currency risk in the investment portfolio and insurance liabilities.

IBOR and Interest Rate Benchmark Reform

After the financial crisis, global supervisory authorities have focused on interbank offered rates (IBORs) and an international trend is that IBORs are being replaced by or supplemented with alternative risk-free rates (RFRs) to improve the function of the financial market. Currently, there is uncertainty about the timing and exact nature of these changes. The company currently has contracts that refer to IBORs with Euribor, Stibor and USD Libor as rates in contracts for interest-bearing securities with variable interest rates and interest-rate derivatives.

Länsförsäkringar expects that it may be necessary to review systems and processes in order to identify the changes to contracts including IBORs, and to manage any tax and accounting consequences as well as the impact on the discount rate for measuring technical provisions. On 27 August 2020, the IASB published amendments to several standards to prevent unwanted accounting consequences in the period after the Reform has been implemented. A project is currently being conducted within the Länsförsäkringar AB Group to investigate the effects of the Interest Rate Benchmark Reform.

Risk sensitivity

Table 3 shows how changes in the financial markets affect the company's earnings and equity.

Table 4 shows sensitivity to exchange-rate changes.

Table 3. Sensitivity analysis, market risks, SEK M

Assumption	Impact on profit before tax		Impact on equity	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Property risk ¹⁾ 10% lower property prices	-137	-127	-107	-100
Interest rate risk assets and liabilities net ²⁾ 100 bps higher interest rate	-26	-43	-20	-34
Interest rate risk assets and liabilities net ²⁾ 100 bps lower interest rate	19	38	15	30
Equities risk ³⁾ 10% lower share prices including hedge funds	-98	-92	-77	-72
Credit-spread risk 100 bps higher credit spread	-46	-120	-36	-94
Interest rate risk ⁴⁾ 100 bps lower real interest rate	-24	-23	-19	-18
Currency risk ⁵⁾ 10% strengthening of all foreign currencies against SEK	20	46	16	36

¹⁾ The effect impacts only solvency capital and own funds Solvency II in Länsförsäkringar Sak.

²⁾ Interest rate risk from investment assets (including accrued interest) and from annuities in technical provisions. Other technical provisions are not discounted except for certain insignificant amounts of accident insurance.

³⁾ Shares and participations analysed assets, including derivatives and equities in hedge funds.

⁴⁾ Net of the effect on investment assets and effect on reserves. The nominal interest rate is assumed to remain unchanged.

⁵⁾ Currency risk refers to indirect exposure via a look-through approach of funds, net of liabilities in foreign currency.

Table 4. Impact on earnings of a 10% increase in the SEK exchange rate, SEK M

Currency ¹⁾	Impact on profit before tax	
	31 Dec 2020	31 Dec 2019
USD	25	36
DKK	4	5
EUR	4	8
PLN	-1	-1
JPY	-1	-3
ZAR	-1	0
GBP	-1	0
INR	-1	0
CNY	-1	-1
Other currencies	-6	2
Total	20	46

¹⁾ Currency risk refers to indirect exposure via a look-through approach of funds, net of liabilities in foreign currency.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings, and encompasses bank balances, financial derivatives and reinsurance.

Risk exposure

Länsförsäkringar Sak is exposed to counterparty risk in its exposures in bank balances, financial derivatives and in ceded reinsurance. The company takes out reinsurance internally with the Länsförsäkringar Alliance and externally with other reinsurers to protect the company in the event of insurance claims.

Risk Management

The counterparty risk in bank balances and financial derivatives is primarily reduced by diversifying the counterparties that the company uses for trading. Exposures of financial derivatives are also limited through ISDAs (netting agreements) and associated daily settlement agreements.

Counterparty risk arising in connection with reinsurance are primarily reduced by taking proactive measures, by carefully selecting potential reinsurance counterparties and by applying limits for maximum exposure to each counterparty. The credit rating of counterparties is regularly followed up and monitored. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers, which guarantees overall high quality receivables. The reinsurance department regularly tests impairment requirements on assets related to reinsurance contracts. Past due receivables are controlled continuously.

Risk sensitivity

Table 5 shows the credit quality of assets for various counterparty categories. Table 6 shows the ratings for the counterparties included in the company's reinsurance cover.

Table 5. Exposure by credit quality step, SEK M

	Market value, SEK M	
	31 Dec 2020	31 Dec 2019
Cash and bank balances and cash and cash equivalents classified as Other receivables		
A	1,503	833
Total	1,503	833
Bonds and other interest-bearing securities¹⁾		
AAA - Svenska staten	11	0
AAA - Övriga	1,024	2,507
AA	62	50
A	0	144
BBB	33	231
BB or lower	232	248
No rating available	525	422
Total bonds and other interest-bearing securities	1,887	3,602
Derivatives²⁾		
AA	0	3
A	0	0
BB	0	1
Total derivatives	0	4
Total	3,390	4,439

¹⁾ Market value including interest for directly-owned holdings, which also include analysed fixed-income funds.

²⁾ Net after taking into account collateral, excluding exchange-cleared derivatives.

Table 6. Distribution of exposure of externally purchased reinsurance cover for the Länsförsäkringar Sak Group

Exposure for externally purchased cover	Percentage distribution per risk category according to S&P Global	
	31 Dec 2020	31 Dec 2019
Regional insurance companies	79%	88%
AA	8%	5%
A	10%	6%
BBB or lower	2%	1%
Total	100%	100%

Liquidity risk

Liquidity risk is the risk of losses arising due to the company's own payment commitments 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.

Risk exposure

A lack of liquidity could lead to the company not being able to fulfil its commitments to customers. The company's liquidity risks are low since premiums are received in advance and large individual claims and payouts outside normal cash flows are known well in advance of when they fall due.

Risk Management

Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on established exchanges. To further limit liquidity risks, rules exist on how investments are to be made in unlisted assets. The company's investment guidelines also state that the investment assets are to be invested by taking into account the company's liquidity needs for meeting its commitments.

Risk sensitivity

Table 7 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. Most of the bonds and interest-bearing securities can be realised at short notice to cover contractual commitments at any time on the liabilities side.

Table 7. Maturity analysis for financial assets and liabilities¹⁾ and insurance undertakings

SEK M	2020						2019					
	<3 months	3 months–1 year	1–5 years	5–10 years	> 10 years	Total	<3 months	3 months–1 year	1–5 years	5–10 years	> 10 years	Total
Assets												
Interest-bearing securities issued by Group companies and loans to Group companies	0	1	45	18	0	65	0	9	291	57	0	357
Bonds and other interest-bearing securities ²⁾	2	8	692	448	0	1,150	18	97	1,923	242	0	2,280
Reinsurers' portion of technical provisions	429	1,037	3,016	1,777	4,242	10,501	299	790	2,631	1,692	4,026	9,438
Other receivables	35	–	–	–	–	35	90	–	–	–	–	90
Prepaid expenses and accrued income	1	–	–	–	–	1	0	–	–	–	–	0
Total assets	466	1,046	3,754	2,243	4,242	11,751	407	896	4,845	1,991	4,026	12,165
Liabilities												
Technical provisions ³⁾	1,021	1,995	4,517	2,123	4,647	14,303	909	1,776	4,035	2,008	4,392	13,120
Other liabilities	118	–	–	–	–	118	459	–	–	–	–	459
Accrued expenses and deferred income	20	–	–	–	–	20	18	–	–	–	–	18
Total liabilities	1,159	1,995	4,517	2,123	4,647	14,441	1,386	1,776	4,035	2,008	4,392	13,597
Derivatives, in and outflows, net	22	0	–	–	–	21	12	1	–	–	–	13
Total derivatives	22	0	–	–	–	21	12	1	–	–	–	13

¹⁾ Note that the table shows financial assets and not the total assets corresponding to the commitments, which would include, for example, premium receivables and the company's property holdings.

²⁾ 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. The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities. These are realisable at any time.

³⁾ Technical provisions are recognised gross, before ceded reinsurance.

Operational risk

Operational risk refers to the risk of losses arising due to inadequate or failed internal processes and systems as well as human error or external events, and includes legal and compliance risks.

Risk exposure

The forms of operational risk to which the company is exposed are product and process risks, personnel risks, legal risks and compliance risks, IT risks, model risks and security risks.

Risk Management

The company's work on operational risk is based on Länsförsäkringar AB Group-wide methods that encompass business-critical processes and key controls as well as reported incidents and the operations' self-assessment of operational risk. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

The Group has a shared framework for identifying, measuring and documenting risks in the decision-making process for decisions that could be expected to have a material impact on profitability, risk profile, organisation or brand. The purpose is to ensure efficient decision-making through proactive and appropriate management of the risks so as to thereby achieve established targets with a higher degree of certainty, to ensure compliance with applicable laws and regulations and to create customer value. Furthermore, the Group-wide method encompasses continuity management, which involves preparing business contingency, continuity and restoration plans to manage incidents before, during and after a crisis has occurred. The overall goal for security work is to protect the organisation's assets from all types of threats – internal or external, intentional or unintentional. Security work is conducted in accordance with the ISO standards on information security and continuity management.

Other material risks

In addition to the risks described above, Länsförsäkringar Sak is also exposed to business risks, emerging risks, climate risks and concentration risks.

Business risk pertains to the risk of lower earnings, higher expenses or loss of confidence from customers or other stakeholders. Business risk also includes conduct risk, meaning the risk of improper conduct.

Emerging risks refers to new or changed behaviour patterns, situations or trends that may have a material impact on the company's financial situation, market position or brand in a negative direction within the company's business planning horizon.

Climate risk refers to the risks that the consequences of climate change may have on the company's business activities. Climate risks can materialise either through physical risks, such as more cases of extreme weather and gradually rising sea levels, or through transition risks, such as regulatory, political and market changes related to the transition to a low-carbon society.

Concentration risk refers to the risk of a single exposure, homogeneous group of exposures or a specific market event resulting in widespread losses even if the operations were to be well-diversified. Concentration risk may derive from concentrations of both assets and liabilities as well as sources of income and suppliers, including suppliers of outsourced services.

Risk exposure

The company's exposure to business risks follows the business strategies decided where the business planning process and results from business risk analyses comprise important instruments in managing challenges associated with strategies and objectives. Due to the strong brand connection between the companies in the Group, diminished confidence in one of the companies could entail a reputation risk that damages the brand and thus Länsförsäkringar Sak.

Climate risk represents a direct financial risk in the form of potential impact on the insurance business, lending and investments for the Länsförsäkringar AB Group. These areas are likely to be affected simultaneously, which makes the risk both complex and significant. The Länsförsäkringar AB Group identifies climate risks in the business as both physical risks and transition risks.

New risks, emerging risks, can arise over time due to changes in the external business environment or internal circumstances. This could be a brand new behaviour pattern that presents a new risk or a risk that changes its nature and thus should be managed in a new way, but could also be a risk that has previously been deemed to be immaterial that has become material. Examples could be the emergence of new economies, technological advances and social-political changes, etc.

Länsförsäkringar Sak is not deemed to have any material concentrations of assets, liabilities or sources of income. See also the sections on market risk and insurance risk.

Risk Management

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations. Business risk analyses are carried out in the annual business planning process, but can also be performed in the interim if required due to changes in the external environment or in connection with business decisions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

The Länsförsäkringar AB Group has a climate-smart vision that entails that the Group is to work actively to reduce climate impact and the climate risks throughout its operations and to encourage climate adaptation to reduce the damaging impact of climate change. By 2030, the Länsförsäkringar AB Group's investments in institutional investment portfolios and own managed funds are to be in line with the Paris Agreement, meaning limiting climate change to 1.5 °C.

The Länsförsäkringar AB Group supports the Task Force on Climate Related Financial Disclosures (TCFD), which are recommendations on the reporting of climate-related risks and opportunities that are expected to be developed into a standard for climate reporting in the future. The Group has used the TCFD recommendations for reporting since 2019.

Emerging risks are identified and managed as part of the continuous risk-management activities and in the company's annual Own Risk and Solvency Assessment (ORSA). The materiality of the risk determines whether action is to be taken and the nature of the risk governs the appropriate course of action.

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.

Capital planning

The management of risk-taking is closely related to the control of the use of the company's capital. An 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 own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

The company has own funds that exceed the statutory solvency requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the business decisions. Quantitative information on own funds, capital requirements and the solvency ratio is provided in table 8.

Länsförsäkringar Sak's solvency ratio exceeds the statutory requirement by a healthy margin. The solvency ratio, meaning the ratio between own funds and the capital requirement under Solvency II, was 197% (197) on 31 December 2020.

Table 8. Capital situation under Solvency II for Länsförsäkringar Sak

SEK M	31 Dec 2020	31 Dec 2019
Own funds	3,826	3,479
Capital requirement	1,944	1,762 ¹⁾
Solvency ratio	197%	197% ¹⁾

¹⁾ Comparative figure refer to the restated solvency ratio per Q4 2019. In 2020, the capital requirement per Q4 2019 was restated due to the changed handling of loss absorption in deferred taxes.

Note 3	Premium income	
	2020	2019
Direct insurance, Sweden	2,065.7	1,900.6
Direct insurance, other EEA	10.9	10.4
Assumed reinsurance	2,271.8	2,010.4
Total	4,348.4	3,921.4

Note 4	Investment income transferred from financial operations	
	2020	2019
Transferred investment income	7.9	17.4
Interest rates, %		
Provisions for insurance policies with long-term claims in run-off	0.53	0.85
Provisions for insurance policies with short-term claims in run-off	0.0	0.2

The estimated return on the assets corresponding to the technical provisions is transferred from the financial operation 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. One part is added to the annuities result by reducing the cost for the upward adjustment of the provision for annuities, and one part is recognised as transferred investment income.

Note 5	Claims payments	
	2020	2019
Claims paid	-1,499.8	-1,506.3
Operating expenses for claims adjustment	-201.3	-191.2
Claims adjustment reinsurance	7.3	2.8
Total	-1,693.8	-1,694.7

Note 6	Operating expenses	
Procurement and administration		
	2020	2019
Acquisition costs ¹⁾	-320.5	-312.0
Change in Deferred acquisition costs	11.9	5.0
Reinsurers' portion of change in Deferred acquisition costs	-0.9	-1.0
Administration expenses	-155.6	-160.8
Commission and profit shares in ceded reinsurance	26.5	23.9
Total	-438.6	-444.9
Other operating expenses		
Operating expenses in asset management	-17.0	-17.8
Operating expenses for claims adjustment	-201.3	-191.2
Total	-218.3	-209.0
Total	-656.9	-653.9
¹⁾ Of which, commission for direct insurance	-121.4	-104.9
Total operating expenses by type of cost		
	2020	2019
Staff costs	-246.1	-237.6
Costs for premises	-39.7	-38.2
Depreciation/amortisation	-2.1	-2.3
Service income	57.5	55.3
Other expenses	-426.5	-431.1
Total	-656.9	-653.9

¹⁾ The company rents premises, equipment and IT equipment from the Parent Company, Länsförsäkringar AB.

Note 7	Fees and remuneration of auditors	
The following fees have been paid to auditors		
	2020	2019
KPMG AB, audit assignments	-1.5	-1.4
KPMG AB, audit activities in addition to audit assignment	-	-
KPMG AB, tax consulting	-	-
KPMG AB, other services	0.0	0.0
Total	-1.5	-1.4

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, 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.

Note 8	Employees, staff costs and remuneration of senior executives		
Average number of employees, Sweden		2020	2019
Men		79	72
Women		125	117
Total number of employees		204	189

Salaries and other remuneration, as well as social security expenses, other employees		
	2020	2019
Salaries and remuneration	140.6	122.6
of which, variable salary	-	-
Social security expenses	82.8	79.6
of which, pension costs	30.6	32.4
Total	223.4	202.2

Board of Directors and senior executives, 15 (14)		
	2020	2019
Salaries and remuneration	9.0	12.6
of which, fixed salary to President	3.7	3.8
of which, variable salary to President	-	-
of which, fixed salary to other senior executives	3.8	7.3
of which, variable salary to other senior executives	-	-
Social security expenses	5.9	9.1
of which, pension costs	2.4	4.0
Total	14.9	21.7

Total salaries, other remuneration and social security expenses		
	2020	2019
Salaries and remuneration	149.7	135.2
of which, variable salary	-	-
Social security expenses	88.7	88.6
of which, pension costs	33.0	36.4
Total	238.3	223.8

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. Employee representatives and Board members of the Länsförsäkringar AB Group do not receive any directors' fees.

Remuneration of senior executives

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

Note 8 Employees, staff costs and remuneration of senior executives

Remuneration and other benefits for senior executives

2020	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Björn Dalemo, President	1.1	0	0.4	1.5	35
Ann Sommer, former President	2.6	-	0.6	3.2	25
Jan-Olof Thorstensson, Board member	0.3	-	-	0.3	-
Niklas Larsson, Board member	0.3	-	-	0.3	-
Göran Karmehag, Board member	0.2	-	-	0.2	-
Mikael Bergström, Board member	0.3	-	-	0.3	-
Charlotte Barnekow, Board member	0.3	-	-	0.3	-
Mikael Sundquist, Board member	0.2	-	-	0.2	-
Other senior executives					
Parent Company (3 individuals)	3.7	0.1	1.4	5.1	37
Subsidiaries (6 individuals)	3.1	0.1	1.4	4.6	38
Total 2020	12.0	0.2	3.8	16.0	
Total remuneration from Parent Company	9.0	0.1	2.4	11.4	
Total remuneration from subsidiaries	3.1	0.1	1.4	4.6	

2019	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Ann Sommer, President	3.8	0.0	1.1	4.9	30
Jan-Olof Thorstensson, Board member	0.3	-	-	0.3	-
Niklas Larsson, Board member	0.3	-	-	0.3	-
Göran Karmehag, Board member	0.1	-	-	0.1	-
Mikael Bergström, Board member	0.3	-	-	0.3	-
Charlotte Barnekow, Board member	0.2	-	-	0.2	-
Henrietta Hansson, former Board member	0.2	-	-	0.2	-
Ricard Robbstål, former Board member	0.1	-	-	0.1	-
Other senior executives					
Parent Company (7 individuals)	7.3	0.0	2.9	10.2	34
Subsidiaries (2 individuals)	4.4	0.1	2.1	6.6	49
Total 2019	17.0	0.1	6.2	23.2	
Total remuneration from Parent Company	12.6	0.0	4.0	16.6	
Total remuneration from subsidiaries	4.4	0.1	2.2	6.6	

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

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary.

The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO, Forena and 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 six months applies to the President. If the company terminates employment, severance pay corresponding to 12 months' salary is paid during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), Forena 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), Forena and SACO.

Other benefits

In addition to the above benefits, a company car, health care insurance and other benefits are offered to all employees.

Number of women among senior executives, %	31 Dec 2020	31 Dec 2019
Board members	22	25
Other senior executives	50	60

Note 9	Investment income, net	
	2020	2019
Dividends		
Dividends received on shares and participations	4.0	1.8
Dividends and Group contributions received from Group and associated companies	55.0	83.2
Total dividends	59.0	85.0
Interest income		
Bonds and other interest-bearing securities ¹⁾	14.8	18.0
Interest-bearing securities issued by Group companies	0.4	0.8
Derivatives	6.9	9.2
Financial assets that are not measured at fair value through profit or loss ²⁾	-0.2	0.0
Other interest income	0.3	0.4
Total interest income	22.2	28.4
Realised profit, net		
Shares and participations	-1.5	46.8
Shares and participations in Group companies	0.0	1,052.0
Profit from participations in partnerships (Group companies)	0.0	52.3
Bonds and other interest-bearing securities	71.8	50.5
Interest-bearing securities issued by Group companies	1.0	1.5
Derivatives	-4.6	9.9
Total realised profit, net	66.7	1,213.0
Unrealised profit, net		
Shares and participations	56.9	82.3
Bonds and other interest-bearing securities	-20.9	17.6
Interest-bearing securities issued by Group companies	1.1	-1.0
Derivatives	-0.5	0.6
Total unrealised profit, net	36.6	99.5
Exchange-rate losses, net	-9.5	-0.4
Interest expense		
Derivatives	-9.3	-21.8
Financial liabilities that are not measured at fair value through profit or loss	-0.1	-0.2
Other interest expense	-0.1	0.0
Total interest expense	-9.5	-22.0
Asset management expenses	-17.0	-17.8
Other financial expenses	-2.9	-12.5
Translation, annuity reserve	-0.6	-6.2
Total investment income, net	145.0	1,367.0
Investment income per measurement category		
Financial assets measured at FVPL	117.1	1,255.8
Financial assets measured at amortised cost	-0.3	-0.3
Financial liabilities measured at amortised cost	0.0	0.0
Items not specified by category		
Exchange-rate losses, net	-9.5	-0.4
Other items	37.7	107.9
Total investment income, net	145.0	1,367.0

¹⁾ Of which negative interest rate on interest-bearing securities of SEK -0.3 M (-0.4).

²⁾ Of which negative interest rate on cash and bank balances of SEK -0.3 M (-0.4).

Note 10	Taxes	
	2020	2019
Current tax	-48.4	-82.7
Total current tax	-48.4	-82.7
Deferred tax		
Deferred tax expense pertaining to temporary differences	1.3	3.0
Total deferred tax	1.3	3.0
Total recognised tax income/expense	-47.1	-79.7
	2020	2019
Reconciliation of effective tax rate		
Profit before tax	209.2	1,478.1
Tax at applicable tax rate	-44.8	-316.3
Tax on non-deductible costs	-3.6	-8.4
Tax on non-taxable income	0.5	242.2
Tax attributable to earlier years	-0.5	-0.3
Reversal of deferred tax liabilities	1.3	3.0
Total tax on net profit for the year	-47.1	-79.7
Current tax rate, %	21.4%	21.4%
Effective tax rate	22.5%	5.4%

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

	Deferred tax assets		Deferred tax liabilities		Net	
31 December	2020	2019	2020	2019	2020	2019
Receivables	6.8	5.5	-	-	6.8	5.5
Liabilities	-	-	-	-	-	-
Deferred tax assets (-) / deferred tax liabilities (+)	6.8	5.5	0.0	-	6.8	5.5
Offset	-	-	-	-	-	-
Net deferred tax assets (-) / deferred tax liabilities (+)	6.8	5.5	-	-	6.8	5.5

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

Change in deferred tax in temporary differences

	Amount at 1 January	Recognised in equity	Recognised in profit or loss	Amount at 31 December
Receivables	-5.5	-	-1.3	-6.8
Liabilities	0.0	-	-	-
Deferred tax assets (-) / deferred tax liabilities (+)	-5.5	-	-1.3	-6.8

Note 11	Goodwill	
	2020	2019
Opening and closing acquisition	144.4	144.4
Opening and closing amortisation	-144.4	-144.4
Carrying amount at year-end	0.0	0.0

Note 12	Other intangible assets	
	2020	2019
Opening cost	26.5	26.5
Acquisitions for the year	-	-
Closing cost	26.5	26.5
Opening depreciation and impairment	-23.7	-22.2
Depreciation for the year	-1.4	-1.5
Impairment for the year	-	-
Closing depreciation and impairment	-25.1	-23.7
Carrying amount	1.4	2.8

Internally developed IT systems and acquired customer-based assets are recognised at SEK 0 M after depreciation and impairment.

Accumulated costs for internally developed IT systems amounted to SEK 142.4 M (142.4) and for acquired customer-based assets to SEK 322.8 M (322.8).

Note 13	Shares and participations in Group companies									
Company name	Corporate Registration Number	Registered office	Number of shares and participations	Participating interest	Carrying amount, property ¹⁾	Market value, property ¹⁾	Equity 31 Dec 2020 ¹⁾	Of which profit 2020 ¹⁾	Carrying amount 31 Dec 2020 ²⁾	Fair value ²⁾
Försäkringsaktiebolaget Agria (publ)	516401-8003	Stockholm	40,000	100	-	-	783.0	102	1,043.8	1,518.1
Länsförsäkringar Sak Fastighets AB	556683-6416	Stockholm	1,000	100	342.9	1,365.4	342.9	0	68	1,365.4
Länsförsäkringar Grupplivförsäkrings AB (publ)	516401-6692	Stockholm	28,000	100	-	-	98.6	60.1	238.8	98.6
Total 31 Dec 2020							1,224.5	162.1	1,350.6	2,982.1
Total 31 Dec 2019							883.9	158.3	1,130.6	2,555.9

¹⁾ 100% of the Group companies' carrying amounts and the market value of properties as well as equity and earnings.

²⁾ Länsförsäkringar Sak's carrying amount and participating interest of fair value.

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

Cost	31 Dec 2020	31 Dec 2019
Opening balance	1,230.6	2,044.5
Sale of participations in Utile Dulci 2 HB	-	-791.1
Withdrawals from partnership	-	-75.1
Capital gains from partnerships	-	52.3
Amended accounting policy for partnerships	220	-
Closing balance	1,450.6	1,230.6

Accumulated impairment	31 Dec 2020	31 Dec 2019
Opening balance	-100	-100
Closing balance	-100	-100
Carrying amount	1,350.6	1,130.6

Note 14	Interest-bearing securities issued by Group companies and loans to Group companies	
	31 Dec 2020	31 Dec 2019
Listed bonds, Länsförsäkringar Hypotek AB (publ)	64.4	353.5
Total fair value	64.4	353.5
Amortised cost	63.7	352.5

Note 15	Shares and participations in associated companies
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Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Participating interest	Equity 31 Dec 2020 ²⁾	Of which profit 2020 ²⁾	Carrying amount 31 Dec 2020 ³⁾	Carrying amount 31 Dec 2019 ³⁾	Fair value ²⁾
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	-	-	0.0	0.0	0.0
CAB Group AB	556131-2223	Örebro	1,582	28.8	203.3	28.8	10.7	10.7	58.5
European Alliance Partners Company AG ¹⁾	CH-0203026423-1	Zürich	9,248	12.5	91.4	3.0	6.0	6.0	11.4
Total					294.7	31.8	16.7	16.7	69.9

¹⁾ 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.

²⁾ 100% of the associated companies' equity and earnings.

³⁾ Länsförsäkringar Sak's carrying amount and participating interest of fair value.

All shares and participations are unlisted.

Cost	31 Dec 2020	31 Dec 2019
Opening balance	16.7	16.7
Added and deducted assets	-	-
Closing balance	16.7	16.7
Carrying amount	16.7	16.7
Fair value	69.9	60.5

Note 16	Shares and participations
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	31 Dec 2020	31 Dec 2019
Listed shares and participations	903.7	874.3
Unlisted shares and participations	75.4	44.5
Total fair value	979.1	918.8
	31 Dec 2020	31 Dec 2019
Fair value	979.1	918.8
Cost	792.7	796.8

Note 17	Bonds and other interest-bearing securities
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	31 Dec 2020	31 Dec 2019
Issuer		
Swedish government	11.5	0
Swedish mortgage institutions	280.4	1,398.8
Other Swedish issuers	504.3	657.7
Foreign states	24.8	20.6
Other foreign issuers	1,002.0	1,171.0
Total fair value	1,823.0	3,248.1
Amortised cost	1,836.9	3,149.6
Market status		
Listed securities	1,406.4	2,923.4
Unlisted securities	416.6	324.7
Total	1,823.0	3,248.1
Carrying amounts compared with nominal amounts		
Total surplus	21.7	67.6
Total deficit	-5.5	-5.9

Note 18 Derivatives					
		Fair value 31 Dec 2020	Nominal amount 31 Dec 2020	Fair value 31 Dec 2019	Nominal amount 31 Dec 2019
Derivatives with positive values or valued at zero					
Equity derivatives		-	-	-	-
Interest rate derivatives		0.1	192.0	0.7	926.6
Currency derivatives		31.2	401.6	26.4	1,070.6
		31.3	593.6	27.1	1,997.2
Derivatives with negative values					
Equity derivatives		-	-	-	-
Interest rate derivatives		0.0	37.6	0.0	114.4
Currency derivatives		10.0	361.9	14.2	474.5
		10.0	399.5	14.2	588.9

Note 19	Information about offsetting
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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 these 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.

31 Dec 2020	Financial assets and liabilities that are offset or subject to netting agreements					Net amount
	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		
				Netting framework agreement	Collateral Received(-) / Pledged(+)	
Assets						
Derivatives	31.3	-	31.3	-4.4	-26.9	0.0
Liabilities						
Derivatives	-10.0	-	-10.0	4.4	-	5.6
Total	21.3	-	21.3	-	-26.9	5.6

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2019	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received(-) / Pledged(+)	Net amount
Assets						
Derivatives	27.1	-	27.1	-7.6	-15.4	4.1
Liabilities						
Derivatives	-14.2	-	-14.2	7.6	-	-6.6
Total	12.9	-	12.9	-	-15.4	-2.5

Note 20 Receivables, direct insurance		
	31 Dec 2020	31 Dec 2019
Receivables, policyholders	397.5	311.3
Receivables, insurance brokers	65.1	5.8
Receivables, insurance companies	12.3	96.9
Total	474.9	414.0

Note 21 Other receivables		
	31 Dec 2020	31 Dec 2019
Receivables, Group companies	1,295.8	757.5
Receivables, Parent Company	87.9	46.9
Other receivables	76.1	81.0
Total	1,459.8	885.4

In its calculation of loss allowance for financial receivables, the company uses the simplified method that is described in more detail in note 1 Accounting policies. The loss allowance on 31 December 2020 amounted to SEK 0 M (0).

Note 22 Deferred acquisition costs		
	31 Dec 2020	31 Dec 2019
Opening deferred acquisition costs	50.4	45.2
Depreciation for the year	-134.9	-123.1
Capitalisation for the year	146.7	128.3
Total	62.2	50.4
Opening Reinsurers' portion of deferred acquisition costs	4.0	3.0
Depreciation for the year	-12.3	-8.6
Capitalisation for the year	13.2	9.6
Total	4.9	4.0
Total	57.3	46.4

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

Note 23 Unearned premiums and unexpired risks						
	31 Dec 2020			31 Dec 2019		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
<i>Unearned premiums</i>						
Opening balance	850.2	287.8	562.4	632.6	124.1	508.5
Provisions for the period	165.4	97.5	67.9	202.3	162.2	40.1
Exchange-rate changes	-29.2	-2.0	-27.2	15.3	1.5	13.8
Closing balance	986.4	383.3	603.1	850.2	287.8	562.4
<i>Unexpired risk</i>						
Opening balance	35.4	35.4	0.0	0.8	-	0.8
Provisions for the period	26.4	26.4	0.0	34.6	35.4	-0.8
Closing balance	61.8	61.8	0.0	35.4	35.4	0.0
Total of unearned premiums and unexpired risks	1,048.2	445.1	603.1	885.6	323.2	562.4

Note 24 Claims outstanding						
	31 Dec 2020			31 Dec 2019		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Claims incurred and reported	4,607.4	4,361.1	246.3	4,579.3	4,443.7	135.6
Claims incurred but not reported	5,863.1	4,753.8	1,109.3	7,268.7	5,933.4	1,335.3
Annuities	1,564.4	-	1,564.4	1,545.7	-	1,545.7
Claims adjustment costs	199.7	-	199.7	203.5	-	203.5
Total opening balance	12,234.6	9,114.9	3,119.7	13,597.2	10,377.1	3,220.1
Provisions for the period	1,071.2	946.4	124.8	-1,381.7	-1,267.2	-114.5
Exchange-rate changes	-52.6	-5.0	-47.6	25.7	5.0	20.7
Effect of interest rate revaluations for annuities	1.8	-	1.8	10.3	-	10.3
Portfolio transfers	-	-	-	-16.9	-	-16.9
Total change for the year	1,020.4	941.4	79.0	-1,362.6	-1,262.2	-100.4
Claims incurred and reported	5,387.2	5,249.5	137.7	4,607.4	4,361.1	246.3
Claims incurred but not reported	6,137.9	4,806.8	1,331.1	5,863.1	4,753.8	1,109.3
Annuities	1,518.1	-	1,518.1	1,564.4	-	1,564.4
Claims adjustment costs	211.8	-	211.8	199.7	-	199.7
Total closing balance	13,255.0	10,056.3	3,198.7	12,234.6	9,114.9	3,119.7

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 used as a basis for estimating provision requirements.

The discount rate curve defined by the EIOPA is used to calculate annuities. This curve has been produced to correspond to a risk-free interest rate term structure and is based on market data for Swedish swap rates. A macroeconomic assumption of a long-term interest rate of 3.75% is also included. Other insurance is not discounted.

Note 25	Pensions and similar commitments	
	31 Dec 2020	31 Dec 2019
Provisions for pensions	0.1	0.2
Other provisions	24.4	23.1
Total provisions for pensions	24.4	23.3

Pension provisions of SEK 0.1 M (0.2) are encompassed by the Pension Obligations Vesting Act.

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 Group'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 defined-benefit pension plan. 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. FTP plan contributions for 2021 are expected to total SEK 15.3 M.

	2020	2019
Expenses for defined-contribution plans	29.4	32.4

Note 26	Other provisions	
	31 Dec 2020	31 Dec 2019
Provision for contractual obligations	6.8	7.8
Other provisions	2.1	2.0
Total	8.9	9.8

Note 27	Liabilities, direct insurance	
	31 Dec 2020	31 Dec 2019
Liabilities to policyholders	595.4	364.1
Liabilities to insurance brokers	9.3	5.3
Liabilities to insurance companies	4.6	3.5
Total	609.3	372.9

Note 28	Other liabilities	
	31 Dec 2020	31 Dec 2019
Liabilities, Group companies	76.0	57.3
Liabilities to the Parent Company	181.6	375.7
Liabilities, Länsförsäkringar Liv Försäkrings AB	0.6	0.4
Other liabilities	48.4	38.7
Total	306.6	472.1

Note 29	Other accrued expenses and deferred income	
	31 Dec 2020	31 Dec 2019
Premiums, received but not due	180.3	118.1
Accrued holiday and overtime remuneration	17.6	14.8
Other accrued expenses	40.6	35.8
Total	238.5	168.7

Note 30	Financial assets and liabilities by category
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	Financial assets measured at FVPL			Financial assets measured at FVOCI			Fair value
	Measured at FVPL	Equity instruments	Financial assets measured at amortised cost	Debt instruments measured at FVOCI	Equity instruments	Total carrying amount	
31 Dec 2020							
ASSETS							
Interest-bearing securities issued by Group companies and loans to Group companies	64.4	-	-	-	-	64.4	64.4
Shares and participations	903.7	-	-	-	75.4	979.1	979.1
Bonds and other interest-bearing securities	1,823.0	-	-	-	-	1,823.0	1,823.0
Derivatives	31.3	-	-	-	-	31.3	31.3
Other receivables	-	-	1,330.0	-	-	1,330.0	1,330.0
Cash and bank balances	-	-	206.9	-	-	206.9	206.9
Prepaid expenses and accrued income	-	-	0.5	-	-	0.5	0.5
Total	2,822.4	-	1,537.5	-	75.4	4,435.3	4,435.3

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Derivatives	10.0	-	10.0	10.0
Other liabilities	-	118.2	118.2	118.2
Accrued expenses and deferred income	-	19.9	19.9	19.9
Total	10.0	138.1	148.2	148.2

The carrying amount of assets classified as Financial assets measured at amortised cost and liabilities classified as Financial liabilities measured at amortised cost 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.

	Financial assets measured at FVPL			Financial assets measured at FVOCI			
	Measured at FVPL	Equity instruments	Financial assets measured at amortised cost	Debt instruments measured at FVOCI	Equity instruments	Total carrying amount	Fair value
31 Dec 2019							
ASSETS							
Interest-bearing securities issued by Group companies and loans to Group companies	353.5	-	-	-	-	353.5	353.5
Shares and participations	874.3	-	-	-	44.5	918.8	918.8
Bonds and other interest-bearing securities	3,248.1	-	-	-	-	3,248.1	3,248.1
Derivatives	27.1	-	-	-	-	27.1	27.1
Other receivables	-	-	808.7	-	-	808.7	808.7
Cash and bank balances	-	-	114.3	-	-	114.3	114.3
Prepaid expenses and accrued income	-	-	0.2	-	-	0.2	0.2
Total	4,503.0	-	923.2	-	44.5	5,470.7	5,470.7

Note 30 Financial assets and liabilities by category, cont.

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Derivatives	14.2	-	14.2	14.2
Other liabilities	-	458.9	458.9	458.9
Accrued expenses and deferred income	-	18.1	18.1	18.1
Total	14.2	477.0	491.2	491.2

The carrying amount of assets classified as Financial assets measured at amortised cost and liabilities classified as Financial liabilities measured at amortised cost 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 quoted in 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 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
ASSETS								
Interest-bearing securities issued by Group companies and loans to Group companies	64.4	-	-	64.4	353.5	-	-	353.5
Shares and participations	903.7	-	75.4	979.1	874.3	-	44.5	918.8
Bonds and other interest-bearing securities	1,406.4	-	416.6	1,823.0	2,923.4	-	324.7	3,248.1
Derivatives	0.1	31.2	-	31.3	0.7	26.4	-	27.1
LIABILITIES								
Derivatives	0.0	10.0	-	10.0	0.1	14.1	-	14.2

There were no significant transfers between Level 1 and Level 2 during 2020 or during 2019. There were no transfers from Level 3 in 2020 or 2019.

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.

Bonds and other interest-bearing securities that are not quoted in an active market comprise interest-bearing, unquoted 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 observ-

able 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.

Gains and losses are recognised in profit or loss under Investment income, revenue and Investment income, expenses.

Shares and participations in Group companies measured at cost in the balance sheet

The fair value (Level 3) of shares and participations in Group companies was measured at equity per share based on the most recent company report and, where appropriate, plus outstanding acquired goodwill or surpluses in properties.

Change Level 3	Shares and participations	Bonds and other interest- bearing securities	Total
Opening balance, 1 January 2019	42.4	248.6	291.0
Acquisitions	-	71.3	71.3
Divestments	-	-2.2	-2.2
Recognised in profit or loss	2.1	7.0	9.1
Transfer to Level 3	-	-	-
Closing balance, 31 December 2019	44.5	324.7	369.2
Opening balance, 1 January 2020	44.5	324.6	369.2
Acquisitions	32.7	157.9	190.6
Divestments	-	-51.1	-51.1
Recognised in profit or loss	-1.8	-14.9	-16.7
Transfer to Level 3	-	-	-
Closing balance, 31 December 2020	75.4	416.5	492.0

Note 31	Anticipated recovery and settlement periods, amounts expected to be recovered
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	31 Dec 2020			31 Dec 2019		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
ASSETS						
Goodwill	-	-	-	-	-	-
Other intangible assets ¹⁾	1.4	-	1.4	1.4	1.4	2.8
Shares and participations in Group companies	-	1,350.6	1,350.6	-	1,130.6	1,130.6
Shares and participations in associated companies	-	16.7	16.7	-	16.7	16.7
Interest-bearing securities issued by Group companies and loans to Group companies	-	64.4	64.4	3.6	349.9	353.5
Shares and participations	-	979.1	979.1	-	918.8	918.8
Bonds and other interest-bearing securities	2.0	1,821.0	1,823.0	200.0	3,048.1	3,248.1
Derivatives	31.3	-	31.3	27.1	-	27.1
Deposits with companies that have ceded reinsurance	125.3	-	125.3	83.0	-	83.0
Reinsurers' portion of technical provisions	1,466.4	9,035.0	10,501.4	1,088.6	8,349.5	9,438.1
Receivables, direct insurance	474.9	-	474.9	414.0	-	414.0
Receivables, reinsurance	427.3	-	427.3	747.8	-	747.8
Other receivables	1,459.8	-	1,459.8	885.4	-	885.4
Deferred tax assets	-	6.8	6.8	-	5.5	5.5
Tangible assets ¹⁾	0.6	0.6	1.2	0.8	1.4	2.2
Cash and bank balances	206.9	-	206.9	114.3	-	114.3
Prepaid expenses and accrued income	76.1	-	76.1	57.7	-	57.7
Total assets	4,272.0	13,274.2	17,546.2	3,623.7	13,821.9	17,445.6
LIABILITIES						
Technical provisions	3,016.6	11,286.5	14,303.1	2,685.5	10,434.7	13,120.2
Other provisions	-	33.3	33.3	-	33.1	33.1
Deposits from reinsurers	20.6	-	20.6	4.4	-	4.4
Current tax liabilities	-	-	0.0	16.2	-	16.2
Liabilities, direct insurance	609.3	-	609.3	372.9	-	372.9
Liabilities, reinsurance	318.8	-	318.8	781.7	-	781.7
Derivatives recognised as liabilities	10.0	-	10.0	14.2	-	14.2
Other liabilities	306.6	-	306.6	472.1	-	472.1
Accrued expenses and deferred income	243.4	-	243.4	172.7	-	172.7
Total liabilities	4,525.3	11,319.8	15,845.1	4,519.7	10,467.8	14,987.5

¹⁾ The amount that is expected to be recovered within 12 months corresponds to depreciation/amortisation for the year.

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

Note 32	Pledged assets and contingent liabilities
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	31 Dec 2020 ¹⁾	31 Dec 2019
Pledged assets		
Technical provisions, net	3,801.8	3,682.1
Total	3,801.8	3,682.1

¹⁾ Assets pledged for the benefit of policyholders to cover technical provisions in the balance sheet in accordance with Chapter 6, Section 11 of the Swedish Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities measured under Solvency II after deductions for reinsurers' portions. All assets recognised in the benefit register amounted to SEK 7,694 M (8,193).

	31 Dec 2020	31 Dec 2019
Commitments		
Remaining amount to invest in investment assets	305.1	421.7

New agreement with Länsförsäkringar Liv

In connection with the transfer of the risk assessment and claims adjustment operations in personal-risk insurance from Länsförsäkringar Fondliv to Länsförsäkringar Sak on 1 January 2021, Länsförsäkringar Sak took over parts of the service agreement that Länsförsäkringar Liv signed in 2019. The services will be performed on behalf of Länsförsäkringar Liv under the same conditions as for Länsförsäkringar Fondliv. The signed service agreement was reached with Länsförsäkringar Liv due to Länsförsäkringar Liv's run-off. Länsförsäkringar Sak, Länsförsäkringar AB and Länsförsäkringar Fondliv undertake to deliver services at a predetermined price per year. The remuneration levels in the agreement reflect these companies' plans to gradually reduce the costs for the services rendered. The agreement includes a renegotiation clause that entails that the parties can review the remuneration level every 36 months if the circumstances have significantly changed. The agreement resulted in a decline of about 1.1 percentage points in Länsförsäkringar Sak AB's solvency ratio, primarily as a result of the agreement's effect on Länsförsäkringar Sak's own funds.

Note 33 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 15 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. Länsförsäkringar Sak also sells services to Länsförsäkringar Gruppliv. The largest areas are insurance administration, claims-adjustment services and product development. 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. Overall, pricing is intended to distribute costs within the corporate group based on consumption. Joint development projects and joint service 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 reinsurance contracts for the Länsförsäkringar Alliance and agreements regarding commission for sales, claims adjustment and reinsurance management. Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB.

Related-party transactions

2020	Income	Expenses	Receivables	Liabilities
Parent Company	20.3	188.8	88.3	185.8
Group companies	168.8	-20.1	1,360.3	76.6
Länsförsäkringar Liv	0.4	12.8	1.7	0.6
Regional insurance companies	66.5	848.9	7,488.9	8,314.0
Other related parties	2.9	8.6	0.0	0.1

The former Group company Utile Dulci 2 HB was sold to the related company Humlegården Fastigheter AB in 2019 and is thus recognised under other related parties.

2019	Income	Expenses	Receivables	Liabilities
Parent Company	16.2	253.8	46.9	378.5
Group companies	174.7	-109.1	1,106.3	57.5
Länsförsäkringar Liv	0.3	0.0	1.1	0.4
Regional insurance companies	265.1	52.4	7,505.8	7,353
Other related parties	1,057.7	11.0	4.8	0.0

Bank balances from Länsförsäkringar Bank AB amount to:

	2020	2019
Cash and cash equivalents with Länsförsäkringar Bank AB	1,208.5	675.8

Note 34 Supplementary disclosures on income-statement items by insurance class

2020	Total	Accident and health	Motor third party liability	Motor, other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal expenses	Credit and guarantee insurance	Total, direct insurance	Assumed reinsurance
Premiums earned, gross	4,156.7	1,155.1	40.6	226.1	137.5	94.8	236.8	2.8	7.9	1,906.6	2,255.1
Claims payments, gross	3,885.5	-895.7	-26.6	-249.5	-88.2	-75.2	-142.6	-2.4	-2.6	-1,428.8	-2,402.7
Operating expenses, gross	-465.2	-231.6	-4.8	-17.5	-34.0	-13.4	-46.6	-0.5	-3.5	-351.9	-113.3
Profit/loss from ceded reinsurance	276.1	-1.6	1.0	49.9	-1.0	-0.3	-13.6	-0.2	-2.3	31.9	244.2
Profit/loss	82.1	26.2	10.2	9.0	14.3	5.9	34.0	-0.3	-0.5	98.8	-16.7
Premium income, gross	4,438.4	1,165.7	47.4	356.7	141.6	92.0	260.2	2.9	10.2	2,076.7	2,271.7

Note 35 Significant events after the end of the fiscal year

On 1 January 2021, Länsförsäkringar AB grouped together the responsibility for business, development and service for the Länsförsäkringar Alliance's non-life insurance business in a single unit to enhance efficiency. This involved merging the Non-life Insurance business unit, LB Sak as well as risk assessment and claims adjustment from the Fondliv business unit.

Länsförsäkringar is planning a legal restructure in 2021 to the extent that the Länsförsäkringar AB Group's non-life insurance company, based on a merger with Länsförsäkringar AB, would become the parent company of the Group. The purpose is to make the Länsförsäkringar AB Group a more appropriate, transparent and efficient legal organisation so that the consolidated situation for the banking operations only comprises the Bank Group. Restructuring requires the approval of the Financial Supervisory Authority.

Note 36 Appropriation of profit

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolaget (publ), non-restricted equity of SEK 343,121,404 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	318,535,541
Group contributions paid	-175,000,000
Tax on Group contributions	37,450,000
Net profit for the year	162,135,863
Total	343,121,404

The Board of Directors proposes that profit be appropriated as follows:

To be distributed to the owner	0
To be carried forward	343,121,404
Total	343,121,404

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 197% (197).

The insurance company's financial position does not result in any other assessment than that the insurance company can be expected to fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

The Annual Report was approved for publication by the Board of Directors on 9 March 2021.
The company's income statement and balance sheet will be adopted at the 2021 Annual General Meeting.

Fredrik Bergström
Chairman

Charlotte Barnekow
Board member

Mikael Bergström
Board member

Göran Karmehag
Board member

Niklas Larsson
Board member

Mikael Sundquist
Board member

Jan-Olof Thorstensson
Board member

Hans Holm
Employee representative

Linnéa Niklasson
Employee representative

Björn Dalemö
President

Our auditor's report was submitted on 15 March 2021.
KPMG AB

Magnus Ripa
Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2020. The annual accounts of the company are included on pages 4–44 in this document.

In our 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 2020 and its financial performance 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.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Our opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Länsförsäkringar Sak Försäkringsaktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for claims outstanding reported as part of the technical provisions

See disclosure 24 and accounting principles on page 21 in the annual account for detailed information and description of the matter.

Description of key audit matter

Provision for claims outstanding, reported as part of technical provisions, amounts to SEK 13 255 M as of December 31, 2020, which constitutes 75.5 percent of the company's total assets.

This is an area involving significant judgments of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The company uses established actuarial valuation models to support the calculations of the provision for claims outstanding. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data or the design or application of the models.

The company's provision for claims outstanding consists of a variety of different products with different characteristics such as settlement period, injury patterns, assumptions about morbidity, inflation, discount rate, mortality (life annuities) and overheads.

Response in the audit

We have assessed the applied actuarial assumptions by comparing the valuation methods with the company's own experience and investigations, regulatory requirements and industry benchmarks.

We have performed tests on a sample basis to assess management's data extraction process as input to the actuarial calculations.

We have involved our own actuarial specialists to assist us in challenging the methodology and the assumptions used in the projected cash flows and in the valuation of the provisions. We have performed our own calculations verifying the adequacy of the provision and compared it to the expected future contractual obligations.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the accounts and assessed whether the information is adequate to understand management judgements.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–3. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Länsförsäkringar Sak Försäkringsaktiebolag (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we 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.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Länsförsäkringar Sak Försäkringsaktiebolag (publ) by the general meeting of the shareholders on the 4th May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 15 March 2021
KPMG AB

Magnus Ripa
Authorized Public Accountant

Board of Directors and auditor



1 Fredrik Bergström

Chairman of the Board since 2018. Born 1970. Employed 2018. President and CEO of Länsförsäkringar AB. **Education:** M.Sc. in Business and Economics, Uppsala University. **Board appointments:** Chairman of Länsförsäkringar Bank AB, Länsförsäkringar Fondliv AB and Agria Djurförsäkring. Board member of Länsförsäkringar Liv AB, Deputy Chairman of Insurance Sweden, Board member of the Swedish Insurance Employers Association (FAO), European Alliance Partners Company AG and Enebybergs Tennishall AB. **Previous experience:** President of Länsförsäkringar Stockholm, Head of Retail at SBAB, Head of Distribution Private Sweden at If and other positions at If Skadeförsäkring AB and Dial Försäkrings AB.

2 Charlotte Barnekow

Born 1962. President of Länsförsäkringar Stockholm. Elected: 2019. **Education:** LL.M. Uppsala University. **Other Board appointments:** Länsförsäkringar Mäklarservice, ICC (International Chamber of Commerce) Swedish National Committee. **Previous experience:** Board member of Länsförsäkringar Stockholm, President of Ericsson Insurance AB, Head of Ericsson Insurance Risk Management, Business Area President AIG Sweden and Norway and several other senior positions in the insurance industry.

3 Mikael Bergström

Born 1962. President of Länsförsäkringar Västernorrland. Elected: 2018. **Education:** M.Sc. in Business and Economics, Stockholm School of Economics. **Other Board appointments:** Länsförsäkringar Västernorrland, EkoNord AB, Länsförsäkringar Norr Holding AB and Fastighetsförvaltningsbolaget Gården 35 AB. Chairman of Länsförsäkringar Fondförvaltning AB and member of Länsförsäkringar AB's Nomination Committee. **Previous experience:** Regional manager at Nordea. Worked at Länsförsäkringar since 2014.

4 Göran Karmehag

Born 1962. President of Länsförsäkringar Västerbotten. Elected: 2019. **Education:** B.Sc. Economics, Umeå University. **Other Board appointments:** Fastighetsbolaget Fabriken AB, LänsSkruben Fastigheter Umeå, Länsförsäkringar Västerbotten Invest AB, Länsförsäkringar i Norr Holding AB, LF Mäklarservice. **Previous experience:** Worked at Länsförsäkringar since 2000.



5 Niklas Larsson

Born 1970. President of Länsförsäkringar Göinge-Kristianstad. Elected: 2018. **Education:** M.Sc. in Business Administration and Economics. **Other Board appointments:** Länsförsäkringar Affärsservice Sydost AB and Group company Länsförsäkringar Göinge-Kristianstad. Board member of Länsförsäkringar Hypotek AB (publ). **Previous experience:** Senior positions at the SEB Group and Ikanobanken since 1998.



6 Mikael Sundquist

Born 1961. President of Länsförsäkringar Bergslagen. Elected: 2020. **Education:** M.Sc. in Business and Economics. **Other Board appointments:** Länsförsäkringar Fondliv AB. **Previous experience:** Board member of Länsförsäkringar AB, Chairman of Mälardalen Chamber of Commerce and Länsförsäkringar Mäklarservice AB. Board member of 1:a Västmanlandsfonden. Senior positions at Länsförsäkringar and Handelsbanken. Worked at Länsförsäkringar since 1992.



7 Jan-Olof Thorstensson

Born 1959. Forest farmer. Elected: 2016. **Education:** Mechanical engineer. **Other Board appointments:** Chairman of Länsförsäkringar Kalmar län, Hällefors Tierp Skogar AB, Kalmar Hamn AB and Stiftelsen Valjeviken. **Previous experience:** Södra Skogsägarna.



8 Hans Holm

Born 1959. Administration manager in Health business area. Employee representative. Elected 2017. **Education:** Swedish Defence University, economics, systems science, certified CIO, IFU diploma Non-life & Life. **Other Board appointments:** No **Previous experience:** Major in Royal Swedish Air Force, District Manager Non-life & Life, Head of Sales Support Livförsäkring Försäkringsbolaget Salus Ansvar, Controller of system owner group (SÄG) Länsförsäkringar AB, Operative system owner Customer System Länsförsäkringar AB. Mentor at the Royal Swedish Academy of Engineering Sciences (IVA).

Deputy: Fredrik Sickling



9 Linnéa Niklasson

Born 1958. Integration IT unit. Employee representative. Elected: 2014. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar AB, Agria Djurförsäkring, Forena Förbundsstyrelse, Förening Länsförsäkringar, Chairman Forena Länsförsäkringar AB. **Previous experience:** Test Manager, Change Management at Länsförsäkringar AB, Systems Developer Agria, Chairman of Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto.

Deputy: Inge Gustafsson.

Auditor: Magnus Ripa Elected by the Annual General Meeting: Authorised Public Accountant, KPMG.

Management

Björn Dalemo

President of Länsförsäkringar Sak Försäkringsaktiebolag. Born 1975. **Education:** Economics/Statistics. **Board appointments:** Chairman of Länsförsäkringar Grupplivförsäkrings AB and Board member of Agria Djurförsäkring. **Previous experience:** Senior positions in Pricing, UW, and product and portfolio management. Worked at Länsförsäkringar since 2019.

Carina Bodesand

Head of Sustainability and Business Development. Born 1974. **Education:** Information officer, Berghs School of Communication, individual courses at Umeå University. **Board appointments:** None. **Previous experience:** Worked at Länsförsäkringar since 1995, holding senior positions from 2006. Employed 2011.

Anette Engström

Head of Actuary & Analysis. Born 1975. **Education:** M.Sc. in Engineering and Actuary programme. **Board appointments:** None. **Previous experience:** Actuary and Chief Actuary at Länsförsäkringar AB. Worked at Länsförsäkringar since 2003.

Gunnel Karlsson

CFO. Born 1963. **Education:** M.Sc. in Business and Economics. **Board appointments:** SOS International A/S and Länsförsäkringar Sak Fastighets AB. **Previous experience:** Various positions as head of finance and head of control at the Länsförsäkringar AB Group. Employed 1989.

Ola Carlsson

HR Manager. Born 1974. **Education:** PA programme. **Board appointments:** None. **Previous experience:** Various roles as HR manager at Länsförsäkringar AB, PwC and If skadeförsäkring.

Helen Kramer

Head of Business and Development. Born 1969. **Education:** M.Sc. in Information Systems. **Board appointments:** None. **Previous experience:** Senior positions in IT consulting, finance, robotisation and development. Worked at Länsförsäkringar since 2002.

Fredrik Lidman

BIO/Head of IT business area. Born 1974. **Education:** B.Sc. in Information Systems. **Board appointments:** None. **Previous experience:** Consultant, developer, IT architect, CTO and other senior IT positions at Länsförsäkringar since 2002.

John Nyman

Head of Reinsurance and Special Insurance business area. Born 1979. **Education:** M.Sc. Construction management and Bachelor's Degree in Economics. **Board appointments:** Länsförsäkringar Mäklarservice, Board member of CAB Group AB. **Previous experience:** Head of M&A and Strategic Development – Group staff. Equity Strategist at Länsförsäkringar Asset Management. Employed 2016 (Länsförsäkringar AB Group 2006).

Elin Sandahl

Head of Claims business area. Born 1985. **Education:** M.Sc. in Business and Economics, Stockholm University. **Board appointments:** None. **Previous experience:** Claims Director at Protector Försäkring and senior positions at IF Märkesförsäkring. Worked at Länsförsäkringar since 2020.

Christina Waering

Head of Claims business area. Born 1967. **Education:** Lawyer. **Board appointments:** None. **Previous experience:** Advokat Setterwalls Advokatbyrå. Employed 2014.

Petra Wahlund

Head of Retail & Motor business area. Born 1976. **Education:** M.Sc. in Business and Economics, Stockholm School of Economics. **Board appointments:** None. **Previous experience:** Various senior and Group staff positions at Länsförsäkringar AB. Worked at Länsförsäkringar since 2001.

Per Widedmar

Head of Personal Risk business area. Born 1981. **Education:** M.Sc. in Engineering. **Board appointments:** Swedish Consumers' Insurance Bureau. **Previous experience:** Insurance Manager, retail market Trygg-Hansa, Business Manager, passenger car insurance Trygg-Hansa. Worked at Länsförsäkringar since 2020.

Definitions

Provision for unearned premiums

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

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.

Direct yield

Direct yield refers to the total of operating net from properties, interest income, interest expense, other financial expenses, dividends on shares and participations (excluding dividends on participations in insurance subsidiaries) in relation to the average value of the investment assets during the year, including surplus values of properties in Group companies.

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.

Discounting of claims outstanding

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

Operating expenses

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

Expense ratio

Operating expenses in the insurance operations as a percentage of premiums earned after ceded reinsurance.

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.

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 costs also include run-off result.

Technical provisions

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

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.

Own funds

Own funds comprise Tier 1 capital and ancillary own funds. Tier 1 capital is the difference between assets and liabilities measured in accordance with the Solvency II regulations rules and subordinated liabilities. Ancillary own funds comprises items not recognised in the statutory balance sheet but that could be required to cover losses. Own funds for Länsförsäkringar Sak main comprises equity and untaxed reserves according to the legal accounts adjusted by revaluation items arising on the remeasurement of the balance sheet in accordance with Solvency II.

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.

Solvency capital

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

Minimum capital requirement

The minimum capital requirement comprises the minimum amount of eligible Tier 1 capital and is calculated by taking into account all or part of technical provisions, premium income, positive risk amounts, deferred taxes, administrative costs, ceded reinsurance and the solvency capital requirement.

Premium income

Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment.

Premiums earned

The proportion of premium income attributable to the fiscal year.

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.

Claims ratio

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

Solvency capital requirement

Regulatory solvency capital requirement calculated using Länsförsäkringar's Internal Model.

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.

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, 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.

Combined ratio

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

Deferred tax

Deferred tax liabilities/assets pertain to temporary taxable differences.

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 refers to the business that an insurance company receives from other insurance company in the form of reinsurance.

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