

# Annual Review

## 2011



FolkSam

# Folksam Annual Review 2011

## **Design and production: Folksam**

Christopher Casselblad, project manager  
(in cooperation with Håkan Rylander Publishing AB)  
Cajsa De Groat, graphic designer  
Markus Jansson, art director  
Catarina Sörensen, production manager  
Caledonian Juristservice, translator

## **Photography**

Karl Gabor pages 58-62  
Kate Gabor page 26  
Other pages Andreas Lind

## CEO letter: Folksam stands strong in turbulent times

Continued strong solvency levels in both Folksam Life and KPA Pension show that we have good base from which to give our customers good, long-term returns and thus, safe pensions.

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## Secure in a sustainable world

Folksams vision is that people should feel secure in a sustainable world. One strategic focus is “responsible influence” which is exerted in areas such as road safety research, the environment and responsible ownership.

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## Folksam with subsidiaries

2011 was a successful year for Folksam. The premium volumes increased and we captured market shares in several areas.

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## One of Sweden's ten largest investors

Folksam manages assets of over SEK 285 billion. When comparing total return over five years, both Folksam and KPA rank at the absolute top of the market.

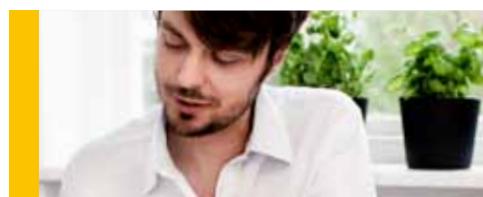
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## Solvency 2

Solvency 2 is a general term for new solvency regulations governing insurance companies and currently under development within the EU. The directive is intended to strengthen the links between solvency requirements and risks.

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## 2011 in brief

**Folksam continued to expand.** Assets under management increased by SEK 17 billion and reached SEK 285 billion by the end of 2011.

The total return for 2011 was well above the industry average and, in a five-year comparison, both **Folksam and KPA were ranked at the absolute top.**

KPA Pension is the most sustainable company in the Swedish financial industry, according to the Sustainable Brands survey. In addition, Folksam Liv was the second-highest climber of all companies.

Folksam invested in **recyclable energy** and is today a shareholder in six wind power resources capable of heating 14 000 villas.

KPA became **the safe alternative** for occupational pensions of those who work within local government and the county council.

Folksam Liv was chosen as **life insurance company of the year** by Söderberg & Partners.

Folksam's market share within life insurance increased from 9,4 per cent to 11,1 per cent.

Deposits from savers in **unit-linked insurance** increased by 13 per cent to SEK 8,6 billion. Folksam's market share within this area increased to 12,6 per cent.

Within non-life insurance Folksam's market share of total earned premiums increased from 15,1 to 15,4 per cent. Accordingly, Folksam was the non-life insurance company that most increased its market share during 2011.

Folksam General was licensed in according to **the world's toughest eco-labelling** The Swedish Society for Nature Conservation's 'Bra Miljöval'.

Folksam General introduced a **clearer and more flexible household insurance**, one of our most important products.

**Satisfied customers.** The reduction in customer satisfaction due to telephone access problems mid-year, was reversed by Folksam as this problem was solved.

Sales and claims handling changed from being a geographical to a channel-guided organisation.

# This is Folksam

## Customer-owned

Folksam is a mutual company. It is of great importance to all companies to have satisfied customers and satisfied owners and for Folksam it is a significant advantage that these groups coincide.

## Broad offering

Folksam offers a broad product range which includes car and household insurance policies, commercial policies within selected areas, occupational pensions and pension plans for private individuals, directly or through group collaboration, as well as group life insurance and other risk insurance.

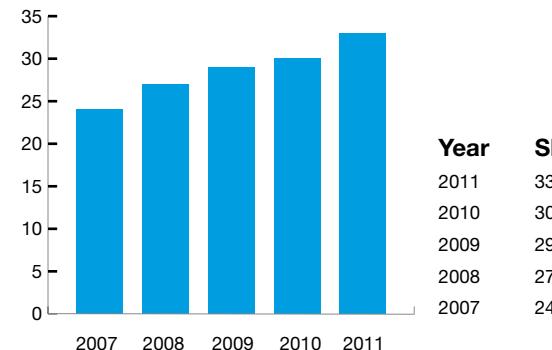
## Strong finances

Folksam manages SEK 285 billion. The assets are invested in interest-bearing securities, equities, property and alternative investment vehicles. The financial strength is evident from solvency ratios which amount to 134 per cent in Folksam Life and up to 143 per cent in KPA Pension.

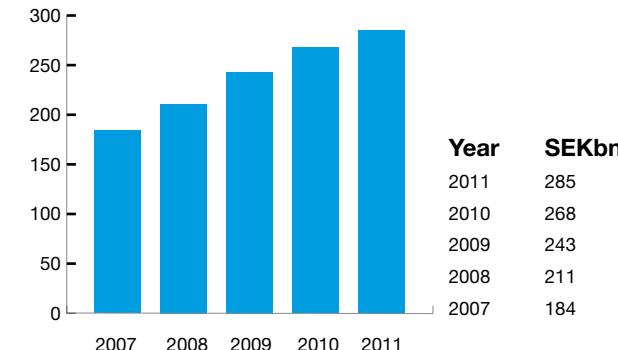
## Responsible influence

Folksam has a positive influence on social development through preventative measures in areas such as road safety research, the environment and responsible ownership. Folksam has made active environmental efforts since the 1960s. Knowledge gained from Folksam's road safety research is used to save lives in traffic. The entire assets under management are covered by criteria concerning the environment, human rights and anti-corruption, and the companies in which Folksam own equities are influenced through active corporate governance.

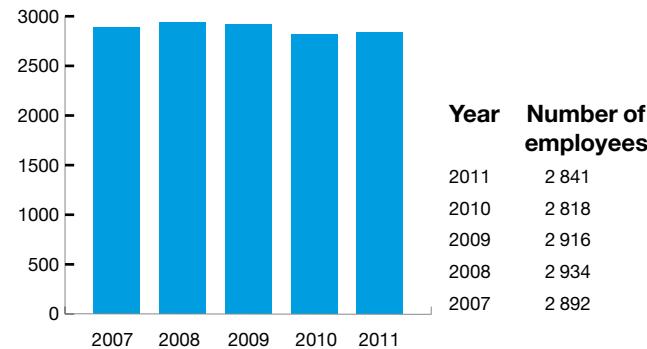
### Total premium volume



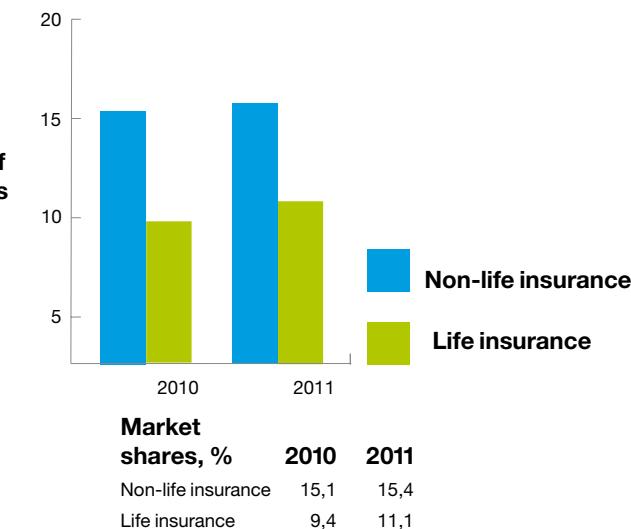
### Asset under management



### Number of employees



### Market shares 31 December 2011





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Folksam is one of the most reliable players in the market and we will take advantage of our position of strength

**Anders Sundström**  
CEO Folksam

# Folksam stands strong in turbulent times

During 2011 we experienced a significant concern in the financial markets and the beginning of a new plunge in the world economy. We are all increasingly affected by the developments of the financial markets, which is why I can state with pride that Folksam continues to show good results. The premium volumes have increased and we captured market shares in several areas.

KPA Pension has become the safe alternative for occupational pensions of all who work in local government and county councils. Here, a long-term approach and reduced fees have shown distinct results. Simultaneously, and for the first time in ten years, premiums received for Folksam Life are greater than pensions paid. Attractive offerings – in combination with reduced premiums – have allowed us to grow from an already strong position within personal accident and illness insurance. In 2011 our market share also increased within non-life insurance. In order to enhance the offer and to meet customers' demands for clearer and more flexible insurance solutions, Folksam General launched improvements of our most vital product; householder insurance.

For many years and under various market conditions, Folksam has shown that we can manage risks and opportunities in asset management in order to create good, long-term returns for our savers. During the year, assets under management increased by SEK 17 billion and reached SEK 285 billion by the end of the year. The total return for 2011 was well above the industry average and over a five year comparison; both Folksam and KPA were rated at the absolute top.

The slump in the world economy will be the third during my time as CEO. Folksam was well equipped for the 2008 crisis and we are now even stronger than three years ago. Continued strong solvency levels in both Folksam Life and KPA Pension show that we have good base from which to give our customers good, long-term returns and thus, safe pensions.

Our strong financial position and our stable returns over time cause many to realise that it is interesting to do business with us. We are invited to take part in even more alternative investments that give good returns. To maximise these and spread the risk a number of important business deals were conducted during the year.

Folksam's goal is to be the most environmentally-friendly company in the industry. In 2011 Folksam General was licensed in accordance with The Swedish Society for Nature Conservation's 'Bra Miljöval'.

The conditions are hard to satisfy and this stamp of approval has high credibility amongst consumers. A fresh study from the Royal Institute of Technology in Stockholm (Kungliga Tekniska högskolan) shows that customers increasingly opt for companies with a high moral and ethical philosophy.

One of our greatest current challenges is to adapt Folksam to the new European solvency II-regulations facing the insurance industry. Solvency II aims to define risk and chart the consequences that this can have for our business.

Another important task is to protect traditional life insurance. Folksam and the rest of the industry are in a time of noticeable change, a shifting of responsibility.

The new pension system is based on each person investing their own pensions. In comparison traditional life insurance has many advantages.

It is cheaper than unit-linked pension investments, long-term planning helps to stabilise an ever more fluctuating financial market, but above all this has historically given higher returns than other savings plans. Traditional life insurance has given our customers a good pension and Folksam is a good example of a mutual insurance company showing its strength in troubled times.

To have an interest in that which customers care about and give them influence is apt. The United Nations have named 2012 the year of cooperation. It will be highlighted throughout the world and, as cooperation and mutual companies to some extent share a common history, Folksam will be involved.

Folksam is one of the most reliable players in the market and we will take advantage of our position of strength. Our economic strength at the beginning of 2012 has made it possible to implement a number of important structural financial investments. For example, the majority of a Finnish non-life company was acquired as a part of our Nordic growth strategy.

I am convinced that by living up to our core values: personal, committed and responsible, we will continue to strengthen relations with our customers.

We face the future from a good starting point.



Anders Sundström



# Folksam's values

Folksam is a mutual company, which means that it is owned by its customers. The motivation therefore is to maximise customer satisfaction. In a customer-owned company profits are returned to the customers.

Satisfied customers are the starting point and the utmost goal within our business. Folksam's greatest competitive advantage is that satisfied customers and satisfied owners are the same thing.

## Vision

People shall feel secure in a sustainable world.

## Business concept

We are the customers' company that offers popular insurance policies and pension investments that create security.

## Position

The company with the big heart.

## Pledge

Committed for you.

## Objective

Folksam's overall goal is to have the most satisfied customers within the insurance and investment industry.

## Core values

Folksam is the company with the big heart. Our core values show this which means:

### Personal

We show consideration and base decisions on the customer's situation.

### Committed

We are active, take the initiative in helping customers, see opportunities and are solution-orientated.

### Responsible

We are knowledgeable within insurance and pension investment. We are reliable and help customers to make decisions from a long-term perspective.

# Strategic focus

The strategic focus planned by the boards stipulates the areas towards which Folksam will steer and focus. It is long range and directed towards increasing customer satisfaction, strengthening the brand and rationalising the use of resources.

With Sweden as a base, Folksam will actively seek ways to affect the Nordic market – where it meets the customers' needs. Folksam will offer a full range of products in harmony with our brand strategy and primarily avail itself to private individuals. Customer contact shall take place directly as well as via various partnerships and group cooperation.

Focus within life operations is to create growth within the occupational pension market, in the individual market as well as in the self-select (contractual pensions) market.

General operations will principally develop existing customer relations and partnerships. Furthermore, new customer relations will be created with special focus on "the family".

Folksam's overall focus is to continuously improve its operations from the customers' perspective.

## Folksam's focal areas

### **Perceived customer benefit**

Folksam will ensure that existing and new customers consider it an advantage to be a customer of any of the alternatives offered by the company.

### **Better than the competition**

Folksam will continuously improve all areas of its operation by learning from good examples from the surrounding world and by ensuring that the company's position is improved compared with the competition.

### **Grow through its own strength**

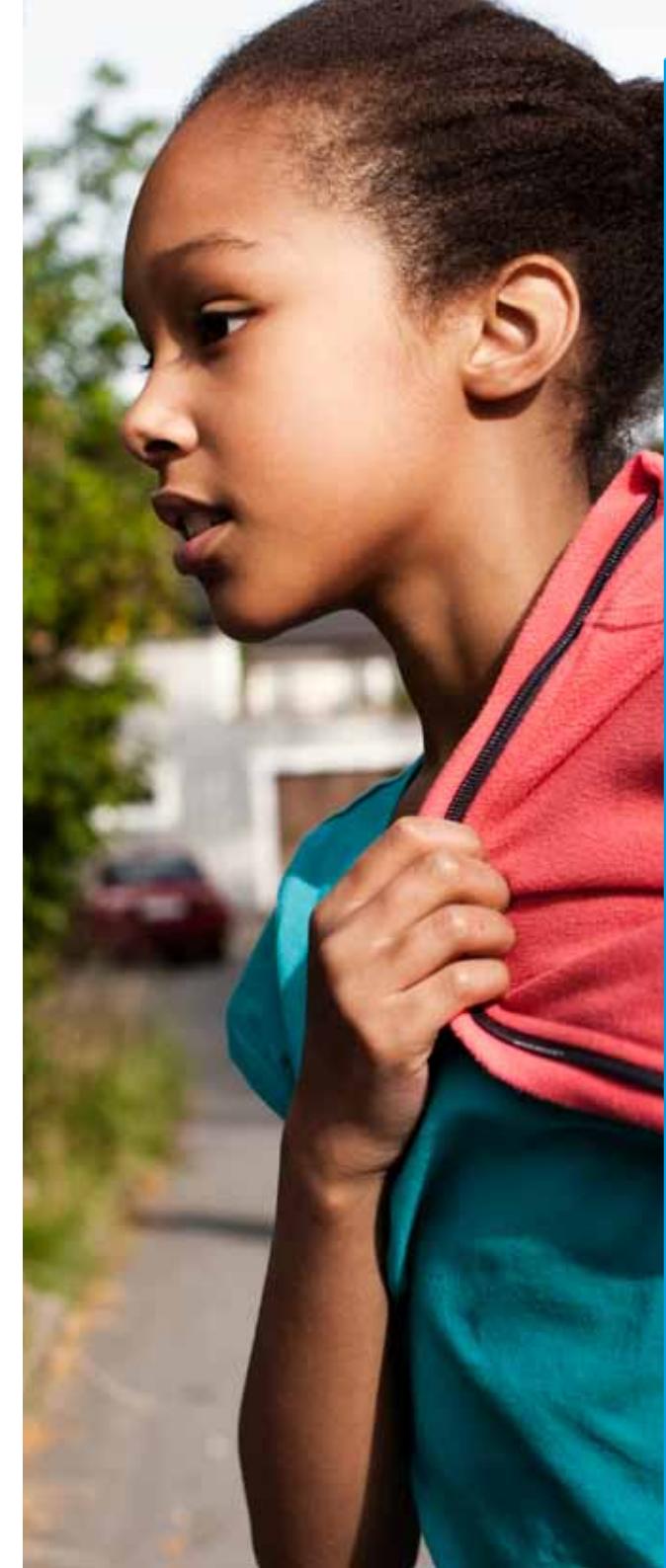
Folksam will endeavour to create growth and in doing so ensure financial stability and efficiency.

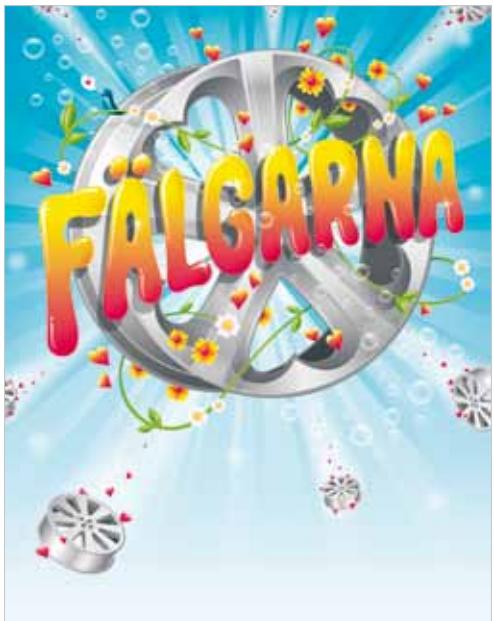
### **Responsible influence**

Folksam will differentiate from the competitors by taking a more active responsibility for the surrounding world and for the future. Folksam will strive to ensure that its offers are always designed to take responsible influence into consideration.

### **Attractive employer**

Folksam will have clear and attractive offers to present and future personnel.





## Folksam in change

The brand's importance increases in line with the ever increasing proportion of sales occurring on the internet. The trust that can be created and strengthened by personal contact needs to be increased by the brand.

Folksam's brand work is an important component of the efforts to achieve Folksam's business goals. In 2010 a new brand strategy was adopted with the intention of adjusting Folksam's profile. The adjustment would be achieved by fulfilling the brand pledge of "Committed for you" and also through actions based on Folksam's core values; personal, committed, and responsible.

The first stage of the brand adjustment was to launch a new graphic profile, this was done in 2010. Step two, and the main focus in 2011, was to strengthen the measures taken around the new core values.

### Living the brand – initiatives 2011

- Updated communication strategy with clearer message
- Further education of sales personnel
- Linguistic profil

Folksam is the common brand name of Folksam General and Folksam Life. Apart from Folksam the brand portfolio comprises Förenade Liv and three private brands; KPA Pension and Pensionsvalet (jointly owned with Sweden's Municipalities and County councils SKL) and Folksam-LO Pension (jointly owned with LO).

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**Brand work is an important component of the efforts to achieve Folksam's business goals**

In addition, Folksam has co-branding partnerships with Swedish Football Association IF Metall, Toyota and OK Q8, and insurance production that is marketed under other brand names; Svenska Konsumentförsäkringar/ Swedish Consumer insurance (marketed by Salus Ansvar) and Tre Kronor (marketed by Swedbank).

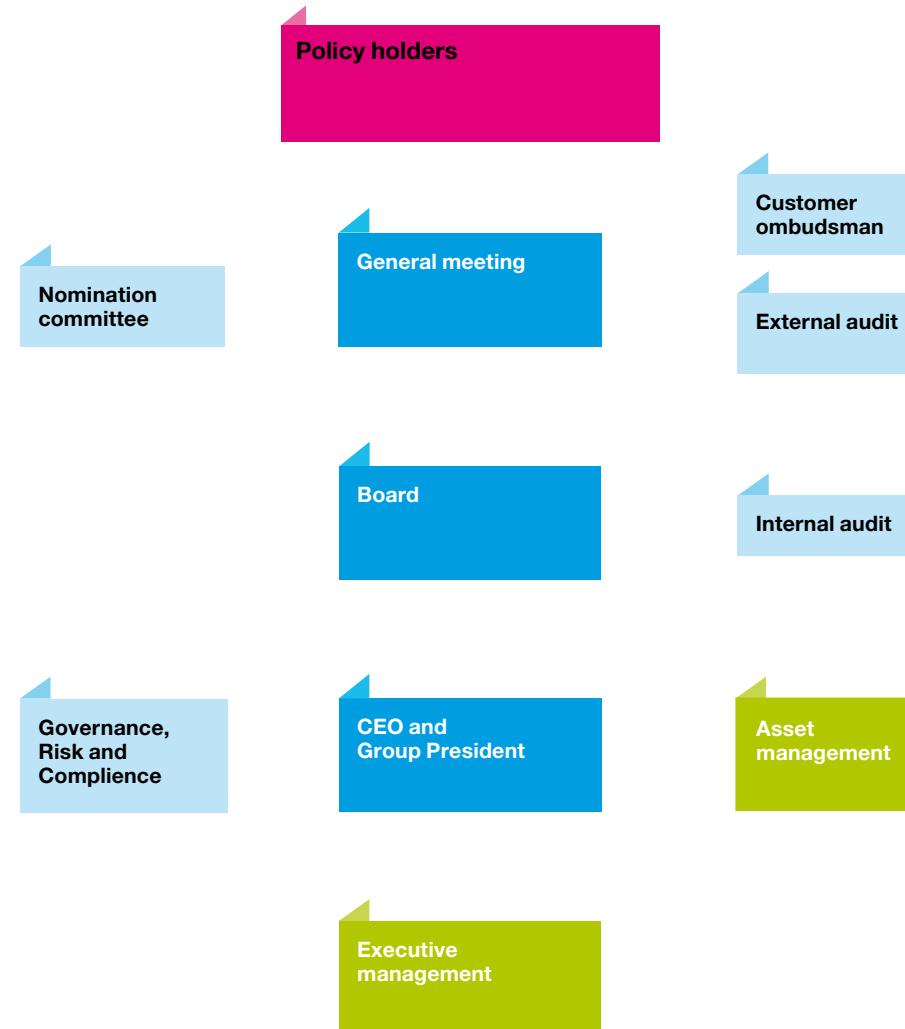
# Corporate governance

Corporate governance is about ensuring that a company is managed as efficiently as possible for its owners.

The graph shown here presents the structure of Folksam's governance. As Folksam is customer owned, there are no shareholders. Therefore, at annual general meetings, customers are represented by delegates.

An overall objective of Folksam's corporate governance – providing that it harmonises with the company's vision and ethical principles - is to ensure a good return for Folksam's customers.

Corporate governance in Folksam is derived from legislation, primarily the insurance business Act, but also the Financial Supervisory Authority's regulations and general advice. Folksam also applies the Swedish code of corporate governance. In addition to the external governing regulations, there are also internal rules.



# Organisation



Folksam comprises the two parent companies Folksam General and Folksam Life with subsidiaries. That the two parent companies are mutual means that anyone who has an insurance policy with these companies is also an owner.

## Legal Group structure

Two of the subsidiaries in Folksam Life are part-owned; Folksam LO Fondförsäkring; 51 per cent owned and KPA Pension; 60 per cent owned. Of the companies in the Folksam Life group, Förenade Liv as well as the companies within KPA Pension are not included in the consolidated accounts. This is because the company is non profit-sharing and all surplus accrues to the policy-holders. In order to achieve economies of scale, collaboration happens within distribution, administration and asset management.

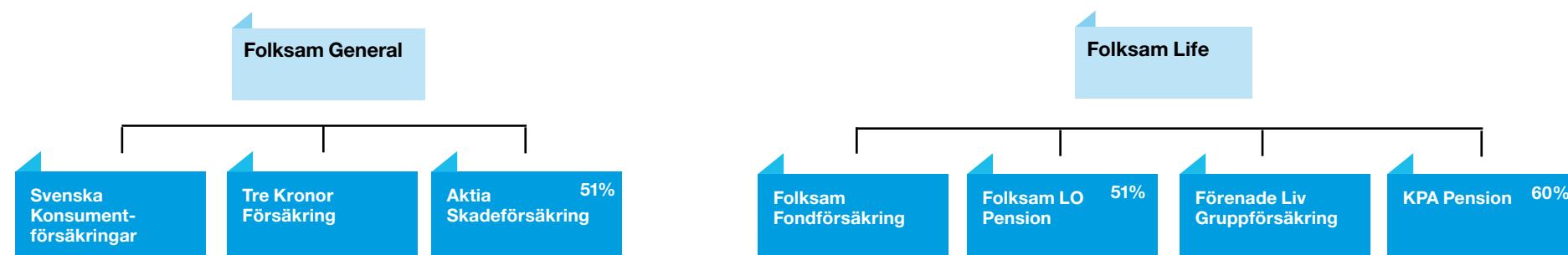
## The Folksam General Group

**Folksam General** is customer owned and offers non-life insurance principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals based on motor- and householder insurance and supplemented by commercial insurance in selected areas.

**Svenska Konsumentförsäkringars** operations cover individuals and group non-life insurance for private individuals and for small and medium-sized companies. The policies are brokered by SalusAnsvar for their customer groups.

**Tre Kronor** offers non-life insurance in Sweden. Its business concept is to offer non-life insurance to companies and organisations wishing to sell and market insurance under their own brand names. Tre Kronor currently collaborates with Swedbank and 38 independent saving banks and in doing so provides non-life insurance to a broad market.

**Aktia Skadeförsäkring** operates a property and casualty insurance business mainly within the coastal area of Finland. Aktia collaborates with Aktia Bank. Folksam owns 51 per cent and assumed part ownership on the 29th of February 2012.



## The Folksam Life Group

**Folksam Liv** is customer owned and offers life insurance. The company offers occupational pensions and pension investments to private individuals, directly or through partnerships, but also group life insurance and other types of risk insurance.

**Folksam Fondförsäkring** offers unit-linked insurance operations related to securities funds. Customers can choose among a large number of selected funds, for example ethical funds, funds with low charges and award winning top performing funds.

**Folksam LO Pension** is a brand and includes the company Folksam LO Fondförsäkring and Folksam LO Fond. Folksam LO Pension is focused on occupational pensions and covers mainly administration and management of pension funds, allocated under the pension agreement between SAF and LO (the Swedish Trade Union Confederation). The company is owned by Folksam Liv; 51 per cent, and by LO; 49 per cent.

## Group companies within Folksam Life

– not consolidated because the surplus accrues to the policy holders

**Förenade Liv Gruppförsäkring** offers group life insurance for life-, sickness-, accident-, medical care and also child and pregnancy insurance to white collar workers through those employers and organisations that represent them. The company's promise to its customers is "consideration".

**KPA Pension** is a brand name and the generic term for KPA Pensionsförsäkring, KPA Livförsäkring and KPA Pensionsservice. KPA Pension is the leading pension company for the local government sector and manages occupational pensions for employees in local government, county councils, and local government and cooperative companies. For private individuals, KPA Pension offers pensions saving in private pension insurance and in unit-linked insurance. Folksam owns 60 per cent of KPA Pension and Sveriges Kommuner och Landsting (SKL) own 40 per cent.

## Operative organisation

Folksam is organised into three business areas: Private, Partner and Collectively Agreed Business and subsidiaries. In addition there are seven central units.

The **Private** business area is responsible for Folksam's business in the private market for individual insurance and pension savings. This responsibility applies to both life and non-life insurance under the Folksam brand, and all operations related to sales and customer service in relation to private individuals.

The **Partner** business area is responsible for Folksam's business with partner, and organisational customers. It includes the group insurance business and commercial insurance. The business is aimed at non-life insurance and personal insurance and savings.

The **Collectively Agreed** business area is responsible for Folksam's business with the parties to collective bargaining agreements in the Swedish labour market. This includes both insurance and pension savings, for example occupational group life insurance and sickness insurance, and also services such as administrative service for employers.

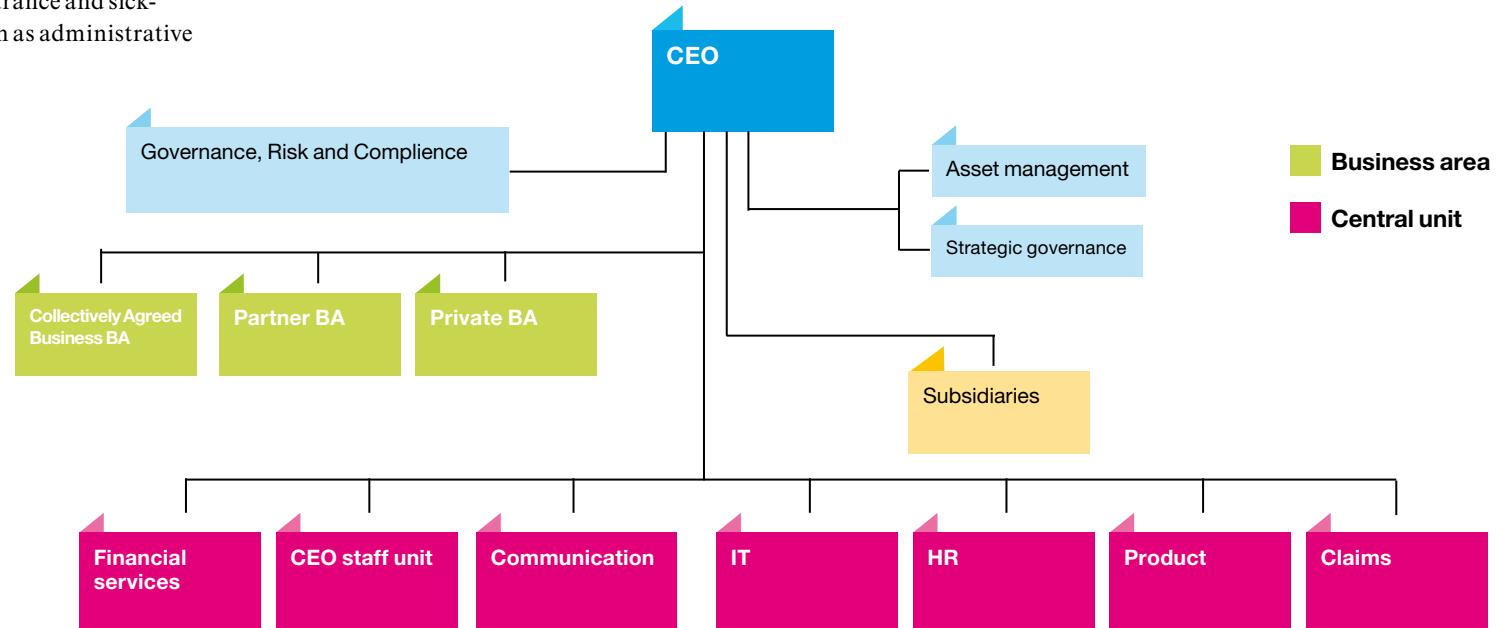
A number of activities have been initiated to develop and improve the efficiency of the organisation and processes in order to achieve business and cost synergies. During 2011 work persisted on coordinating joint functions to ensure that resources continued to be used efficiently.

An extensive change was made in the sales and claims customer organisations during 2011, Folksam goes from geographical to channel-guided organisations comprising a total of eleven channels. Of these, five are sales channels; customer service, life and investment, telemarketing, online, and mass market, while six are claims channels; claims, vehicle, personal injury-compensation, personal injury-terms, investigation and other. The change was made to improve efficiency through a shorter chain of command, and reflects the fact that 95 per cent of customers make contact with Folksam via telephone or Internet. The reorganisation involved 2 000 employees and the work will continue

during 2012. During the year, coordination of central functions continued in order to enable more efficient use of resources.

On the 1st of October 2011, a new purchasing organisation was established to make the purchasing process more cohesive and create conditions for lower purchasing costs in both claims and operation.

The change project to convert the office workplaces to an open landscape with the aim of enabling more efficient work and lowering the cost of premises continues in 2012.



# Market shares

Folksam had sales success in several areas during 2011.

Folksam had sales success in several areas during 2011. Of the total **non-life insurance** premium market, of SEK 63 billion, Folksam achieved 15,4 per cent, an increase from the 15,1 per cent of 2010.

**The household market** accounted for SEK 46 billion, of which Folksam's share was 19,9 per cent, a modest increase from the 19,8 per cent of 2010.

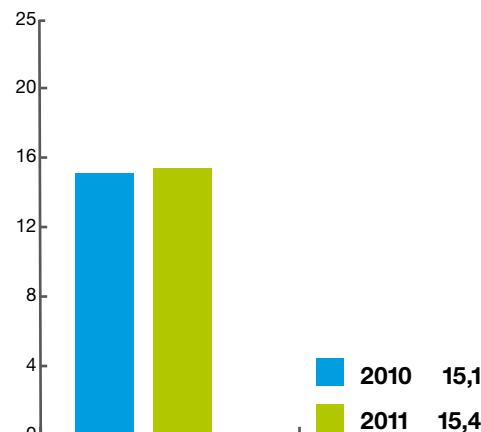
The positive trend in car insurance continued. During the year Folksam's stock increased by 30 000 new customers which gave a market share of 21,7 per cent.

In terms of total earned income for **life insurance**, the market share amounted to 11,1 per cent, an increase from the 9,4 per cent of 2010. This means that the earned income from old and new insurance policies was SEK 21 billion out of the total market of SEK 190 billion.

Payments made by investors in **unit-linked insurance** have increased strongly over the past five years. Since 2007 the average annual growth has been more than 20 per cent. This is a result of Folksam's commitments in the independent-broker market and also within contractual pensions.

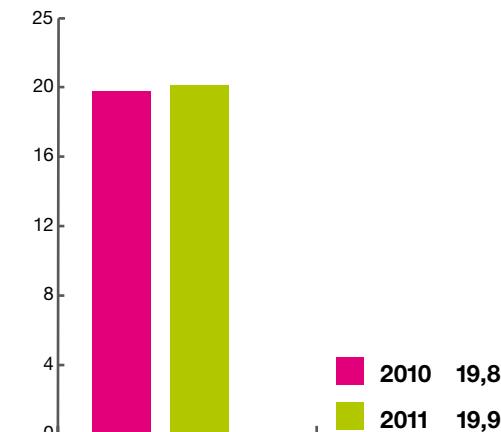
The total unit-linked insurance assets were in excess of SEK 48 billion at the end of the year. Folksam's total market share within unit-linked insurance increased to 9,2 per cent.

**Market shares  
non-life insurance, per cent**



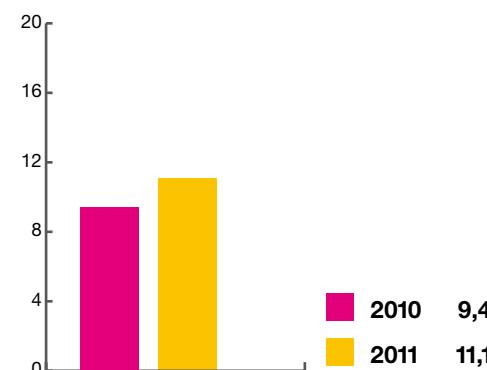
Source: Swedish Insurance Federation

**Market shares household  
market non-life insurance, per cent**



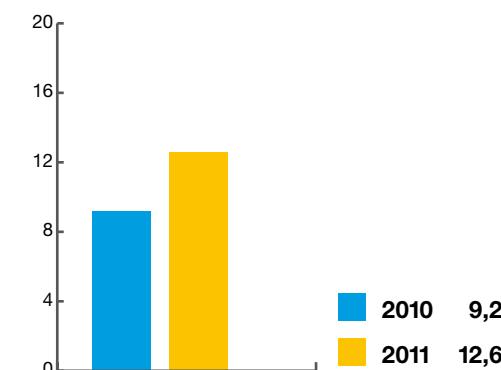
Source: Swedish Insurance Federation

**Market share of premium  
income life insurance, per cent**



Source: Swedish Insurance Federation

**Market share of premium  
income unit-linked insurance, per cent**



Source: Swedish Insurance Federation



# Satisfied customers

Folksam continuously monitors its level of customer satisfaction. In general, these surveys show that the customers who have contacted Folksam are more satisfied than those who have not.

The telephone access problem customers experienced with general non-life insurance matters, mostly during the second and third quarters, reduced customer satisfaction. This dip in customer satisfaction was reversed when the problem was eliminated. By year end customer satisfaction was 74 per cent, the same as in 2010. The objective is that 75 per cent of customers will be satisfied.

The rating (Svensk Kvalitetsindex) for general insurance, within the industry as a whole, fell for the first time in a long time. At the same time however, Folksam had a positive development, not least within motor insurance.

Customer satisfaction also fell in the life insurance market during 2011. Even Folksam's customers reduced their grading, however to a much lesser degree than experienced by the rest of the market.

Despite the fact that KPA Pension is rated much higher than the industry average, employers within municipalities and county councils increased the rating for KPA Pension.

## Targets and results for customer satisfaction in 2011

Strategic target areas	Targets	Results
1. Satisfied customers (per cent)	75	74
2. Satisfied customers, sector comparison	-2,2	-1,8
3. Attractiveness/Liking	14,5	13,5

# Secure in a sustainable world



Folksam's vision is that people should feel secure in a sustainable world. One strategic focus is "responsible influence" which is exerted in areas such as road safety research, the environment and responsible ownership.

# 2011 in summary

During 2011 the Folksam brand was strengthened and relations with existing customers and collaborative partners were further developed. The second half-year was characterised by low interest rates and worry on the financial markets, and concurrently, a relatively high return contributed positively in both general- and life activities. KPA and Folksam Life belong to the leading companies within the industry.

## Positive development despite an uncertain world

Through strong key indicators and broadened distribution the premium volume grew sharply within traditional insurance, while at the same time growth continued in unit-linked insurance. The occupational pensions market including contractual pensions for SAF-LO and KAP-KL are responsible for a significant part of the premium volumes.

## Five-year summary Folksam

SEKm	2011	2010	2009	2008	2007
Premiums (1)	33 263	30 496	29 356	27 158	23 977
Assets under management (2)	285 106	268 170	242 646	211 401	183 957
Unit-linked insurance assets (3)	48 416	49 593	38 158	24 600	26 557
Average number of employees (4)	2 841	2 818	2 916	2 934	2 892

1) Premiums comprise earned premiums in non-life insurance, earned premiums in life insurance, income relating to investment contracts, and payments by unit-linked insurance investors.

2) Assets under management represent assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries, plus assets under management in Konsumentkooperationens pensionsstiftelse and Folksam LO Fonder.

3) Investment assets for which the policyholders bear the risk.

4) The average number of employees has been calculated based on the number of hours of work (paid time) relative to a full-time equivalent.

The strong position within group insurance and personal accident - and sickness insurance is well established and during the year growth continued within non-life insurance. Above all within motor insurance, but also within other areas, focus upon combination customers and distribution through bank co operation contributed to increasing premium stocks.

## Good financial position

KPA Pension and Folksam Life's **solvency grade** amounted to 143 percent and 134 per cent respectively. Solvency describes financial strength and shows how well a life insurance company lives up to guaranteed obligations vis-à-vis the customers. Simply put, one can say that for each one hundred kroner note guaranteed the customer, Folksam Life has assets worth 134 kronor. The solvency grade is conditional in order to be able to give good future returns on managed assets.

The **solvency capital** in Folksam General's parent company continued to increase during 2011 and amounted to SEK 10 240 million by the end of the year. The **consolidation ratio** amounted to 123 per cent in the parent company.

From the 1st of November 2011 **bonus interest** was lowered at Folksam Life1 from 6 per cent to 4,5 per cent. In the Folksam Life2 portfolio, repayment interest remained unchanged at 11 per cent. Bonus interest is continually recalculated with regard for the financial market's impact on collective solvency.

KPA Pension uses the **interest on returns** method which at the end of the year amounted to 5,5 per cent. The interest on returns method provides that all return is distributed directly after each quarter to investors' accounts. The consolidation ratio is therefore always 100 per cent at KPA Pension.

## Significant events during the financial year

Folksam is included in the consortium that in 2010 acquired FIH Erhvervsbank, Denmark's sixth largest bank. Access happened on the 6th of January 2011.

Folksam Life, Folksam General and KPA invested on two occasions during the year in **renewable energy**. In February Gnosjö Energi AB was acquired. The investment covers four land based **wind turbines** in Kulttorp, Småland. The turbines have been in operation since 2009, have a total effect of 10 megawatts. A half year later Folksam, together with the Wallenberg Foundation and Proventus, each acquired one third of wind turbine company; PWP AB. The company owns six land based wind turbine farms that can produce 0,26 Twh electricity annually. Electricity production from the wind turbine assets of which Folksam is a part owner can heat 14 000 villas.

Folksam became the first insurance company at the end of 2011 to be licensed according to the world's toughest environment labeling; The Swedish Society for Nature

Conservation's **Good Environmental Choice**. The certification applies to Folksam General and the products motor – and villa insurance.

### Events after the balance sheet day

With the aim of focusing more intently on savings within insurance, Folksam General sold the investment firm Folksam Spar to the independent investment consultant Indecap. Folksam Spar comprises 22 500 customers with individual pension investments. At the same time, Folksam initiated a **long-term strategic cooperation** with Indecap by acquiring 20 per cent of the

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Folksam became the first insurance company at the end of 2011 to be licensed according to the world's toughest environment labeling

company. Indecap is an investment consultant for unit-linked insurance that offers administration within for example Premium pensions. The company manages SEK 7 500 million.

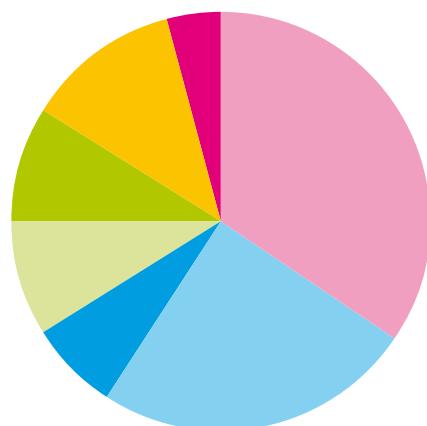
Folksam Fondförsäkring purchased unit-link insurance stock in Swedish Lärarfonder from Skandia. Concurrently, Svenska Lärarförsäkringar sold the fund company Svenska Lärarfonder to Folksam. The objective with this business is to strengthen

Swedish Lärarfonder's offerings and concurrently make it possible for Lärarfonder to benefit from Folksam's position as a strong operator within the insurance – and savings area.

At the end of January 2012 Folksam General acquired 51 per cent of shares in Aktia non-life insurance through an agreement with Aktia ABP in Finland. The investment in Aktia non-life insurance is a first stage of Folksam's strategy for the Nordic insurance market. Aktia Non-life insurance has a turnover of approximately Euros 70 million and is mainly active within the coastal area in Finland. The purchase price was Euros 24 million.

### Full range of insurance products under several brands

Folksam offers non-life and life insurance business with a focus on the Swedish market under several brands. The product offer can be divided into three central groups; **pension savings, personal risk, and general insurance**.



### Premium income per product group, %

Traditional life insurance	35
Unit-linked insurance	25
Group life	7
Illness/Accident	9
Household/Home owner	9
Vehicle/Traffic	12
Other	4



## Pension savings

Folksam offers **traditional life insurance** within two companies; Folksam Life and KPA Pension. The traditional life insurance is a form of saving where Folksam manages the invested capital. The saver does not self influence the risk level; rather the savings are managed in a portfolio where Folksam allocates the division between shares, interest-bearing securities and alternative assets.

Premiums increased within traditional life insurance during 2011. The change of pattern is largely explained by the fact that savers tend to choose traditional life insurance when the market is uncertain. Another explanation is that media attention during the autumn increased awareness amongst savers of the importance of choosing a financially strong insurance company. Both KPA and Folksam Life belong to the absolutely strongest alternatives.

The third explanation is that Folksam continued to successfully manage customers' money. The total return for Folksam Life and KPA Pension amounted to 6,5 per cent and 5,6 per cent respectively. The good return was due to Folksam's strategic asset allocation and the strong value development of bond portfolio and property holdings. Seen over the last 5 years, the total return has on average been 5,6 per cent for Folksam Life and 5,8 per cent for KPA Pension.

Folksam offers **unit-linked insurance** through four companies; Folksam Life, Folksam Fondförsäkring, KPA Pensionsförsäkring and Folksam LO Fondförsäkring. Pension saving means that the customer himself can decide into which funds the capital shall be placed. Within

contractual pension SAF-LO there is also a fund offering for those savers who have not made an active choice of fund with the risk level adapted to the customer's age.

Premium payments received from policy holders in unit-linked insurance have increased sharply in the past five years. The annual growth on average since 2007 is over 20 per cent. This is a result of the efforts Folksam has made in the agent distribution market and in contractual pensions. The total unit-linked insurance assets in the four companies amounted to just over SEK 48 billion at the turn of the year. Folksam's total market share within unit-linked insurance increased to 12,6 per cent (9,2 per cent).

The choice of fund managers and funds is regularly reviewed in a selection process. As a compliment to the **guided offer** of 70 funds, and fund selector Trend, Folksam introduced - at the turn of the year - a further fund placement service to ease matters for investors. **Fund selector Multi** places absolute yield funds with daily trade, high performance and not correlated with each other. The fund portfolio is actively administered in that managers who do not show optimal performance are continually changed and replaced with more attractive alternatives.

## Personal risk

Folksam offers personal risk insurance within four companies; Folksam Sak, Folksam Life, Förenade Life and KPA Life. Group insurance is a one-year risk insurance without saving aspects. Group insurance is offered as Group life – and occupational group life, respectively illness and accident insurance

From **group life- and occupational group life insurance products** a one off payment is made to the beneficiary when the insured person dies. Medical coverage replaces loss of income or consists of fixed lump sums. Illness – or accident insurance replaces costs that can arise in connection with an accident, and offers compensation in cases of invalidity.

**”** Savers tend to choose traditional life insurance when the market is uncertain

Folksam has a very strong position in the Swedish market for group life insurance. Customised group life insurance and sickness – and accident insurance is available for unions, companies and organisations within for example various sports organisations and also as individual solutions. Occupational group life insurance, TGL-KL, for municipalities and county councils, is regulated by collective agreements. During the past years it has been possible to lower premiums for collectively agreed occupational group life insurance due to good capital returns.

From the turn of the year group insurance was altered for pensioner organisations. After talks with the concerned organisations a new offer was launched where customers can choose between three different compensatory – and premium levels.

Total return, %	2011	2010	2009	2008	2007	5 year average
Folksam Life	6,5%	8,7%	10,3%	0,9%	1,8%	5,6%
KPA Pension	5,6%	8,2%	12,4%	6,3%	-3,0%	5,8%

During the year Folksam also launched a new individual child insurance policy for all children and that can be signed via the internet service.

## General insurance

Folksam offers general insurance in four companies; Folksam Sak, Svenska Konsumentförsäkringar, Tre Kronor och Aktia. The last two names are so called white brands, that is, brands that do not interact with customers but instead are responsible for the actual products.

The private market continued to grow. During 2011 the number of combination customers continued to increase and was 500 000 at the turn of the year. To be considered a combination customer both the car and householder insurance must be signed with Folksam. In order to further strengthen relationships with the most important customers, efforts continued with individually adapted combination offers. The positive development in sales of so called add-on insurance continued throughout 2011.

In order to meet customers' requirements of clearer and simpler alternatives, the offering Base, Medium and Plus as different types of **household and homeowner insurance**

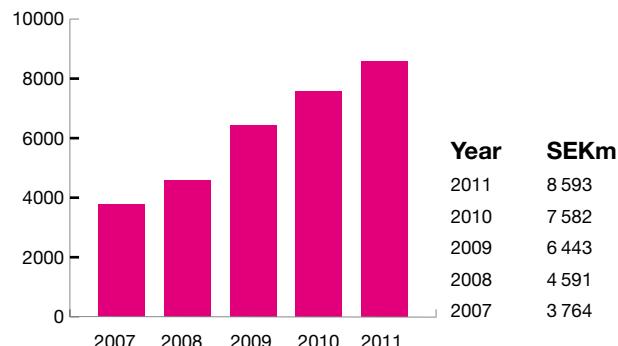
was introduced during the year. Householder insurance is the strategically most important product and constitutes the core of the entire insurance offering.

The positive trend within **car and road safety insurance** continues; 30 000 new policies written during 2011. Despite this, Folksam's market share (measured by the number of insurance policies) in the private motor market decreased marginally to 21,5 per cent. Folksam strengthened its position in brand insurance and now collaborates with Toyota/Lexus, Honda, Suzuki, Mitsubishi and Hyundai.

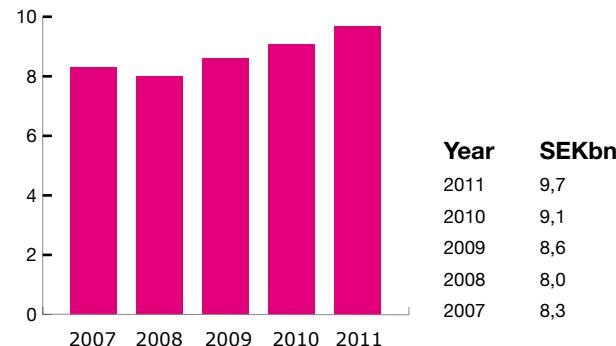
Folksam's attractive offerings to animal owners led to increased market shares. The number of insured domestic pets rose from 18,0 to 19,5 per cent in 2011.

The business market continued to expand during the year. A clear strategy focusing on small companies, property and vehicles was introduced.

**Total premiums unit-linked, SEKm**



**Total premiums non-life insurance, SEKbn**





# Asset Management

Folksam is one of Sweden's ten largest investors and manages assets of over SEK 285 billion.

Folksam's holding of interest-bearing securities mainly consists of bonds issued by the Swedish government, Swedish mortgage institutes or Swedish companies.

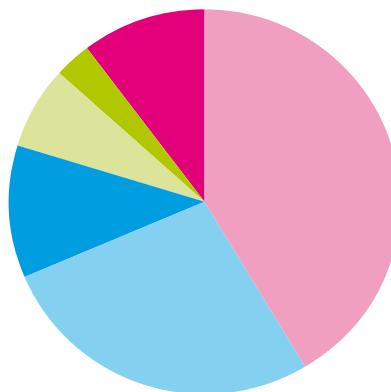
At the end of the year, Folksam owned property assets, including property funds, at a total value of SEK 15.9 billion. The value of directly owned properties amounted to SEK 12.4 billion. All the directly owned properties are located in Sweden. The value of the alternative investments was SEK 3.2 billion at year-end.

Alternative investments have low correlation with equity and interest rate markets, such as private equity and infrastructure investments.

## Investment strategy

Folksam's asset management manages the assets of Folksam's insurance companies as well as Konsumentkooperationens Pensionsstiftelse. The Board of Directors of each company establishes objectives and levels of risk for the asset management, thus establishing within which limits the capital may be invested. The greatest risk for an insurance company is in the long run to not be able to cover its obligations towards policyholders. To minimise this risk, special consideration is given to the nature and duration of the insurance

## Assets under management divided by principal, SEKbn



	29
Folksam General	29
Folksam Life	121
KPA Pension	77
Folksam LO Fund	32
Konsumentkooperationens pensionsstiftelse	21
Others	5

## Managed capital by asset class

Folksam, SEKm	2011	2010	2009	2008	2007
Assets under management	285 106	268 170	242 646	211 401	183 957
of which interest bearing	179 538	153 345	143 052	142 314	101 048
of which equities	86 484	98 463	85 409	52 499	72 790
of which alternative investments	3 183	2 010	1 887	2 881	1 882
of which directly owned property	15 900	14 353	12 297	13 708	8 236

undertakings when selecting the composition of the investments.

Special rules apply to the asset management, primarily the placement regulations from the law governing insurance companies. In addition, the asset management complies with the Financial Supervisory Authority's regulations and advice as well as each principal's rules for environmental and ethical considerations.

The risk level of each principals' asset portfolio is monitored on an ongoing basis. The risk level may not be higher so that the statutory requirements for each portfolio can be met with a high probability, even during a very negative trend of the financial and insurance markets.

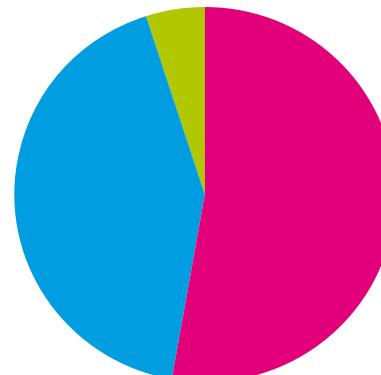
## Management Mandates

Folksam's asset management controls how the capital is allocated within limits. In order to achieve good risk diversification the holdings are distributed between a wide variety of asset classes and markets. Certain types of investments are managed internally, while others are managed externally.

Positions managed internally are primarily conducted through derivatives to tailor each principal's level of risk. For example, stock options can be used to that reduce (or increase) the effects of stock market volatility, but also interest rate derivatives may be used to ensure that benefits that have been promised to life insurance policyholders can actually be paid.

Management mandates are given to the internal functions of Folksam Fastigheter and Alternative investments, and externally on Swedbank Robur.

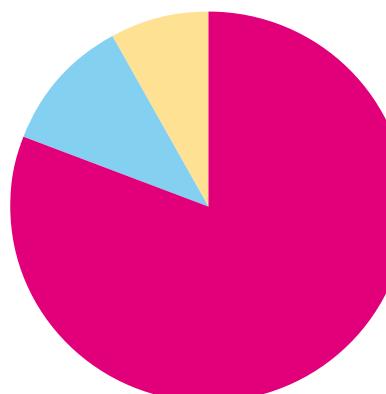
**Swedbank Robur** is responsible for equity and interest rate investments, as well as most of the asset administration. The directly owned properties are managed by **Folksam** Fastigheter whose purpose is to generate good



## Folksam Fastigheter

### Division of total area, %

Commercial	53
Residential	42
Other	5



### Geography, % of market value

Stockholm	81
Malmö	11
Other	8

Folksam fastigheter december 2011	
Number of properties	115
Market value, SEKm	12 410
Total rentable space (1 000 sqm)	511
Rental income, SEKm	809

Alternative investments, SEKm	
Hedge funds	370
Private Equity	860
Infrastructure/Energy	830
Others	1 123
Total	3 183

returns on capital through owning the right properties and develop them in the best possible way. The goal is to create value for Folksam's policyholders while benefits for tenants increase through construction, management and development of homes, care facilities, offices and shops in attractive locations.

**Alternative investments** refer to an internal management mandate with a long investment horizon which aims to give policyholders access to unlisted assets. Investments must show a low correlation with the interest rate and equity markets and are made mainly into fund structures. During the year, investments were directed towards, for example, wind energy and private equity.

### Strategic holdings

Corporate strategic investments are investments of particular strategic importance to each principal and are characterised by the fact that it is the Boards who decide on purchases or disposals.

An example of a strategic holding is Swedbank, where Folksam owns just under 10 per cent of the shares. At the end of the year, the value of the shares in Swedbank was over SEK 9,6 billion. The value of the holding has tripled since the initial investment.

### Total return on assets

The objective of investment management varies

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When comparing total return over five years, both Folksam and KPA rank at the absolute top of the market

between the different companies. For Folksam Life and KPA Pension insurance, the objective is to achieve the highest level of real return under relevant risk- and investment limits, while in Folksam General and the rest of the companies it is to contribute to stable and competitive premiums. For the life business, the objective should mean at the very least, an annual real rate of return of three per cent on average, measured over a period equal to the average maturity of the insurance policies.

Folksam has, for a number of years and in different market conditions, proved to be able to manage the risks and opportunities in asset management in order to create long-term good returns for policyholders. The total return for 2011 was well above the average for the

industry and, compared over five years, both Folksam and KPA ranked at the absolute top of the market.

### Market Development

The year began with a weak Swedish stock market, but with gains in most other stock markets. Interest rates began rising slightly with a strong faith in the Swedish business cycle and some concern about inflation. News was initially dominated by protests and demonstrations in Tunisia and Egypt, while later in March, it was more about the earthquake, tsunami and the nuclear accident in Japan.

In Sweden the stock market had a strong period in the spring, supported by strong corporate results. During the latter part of spring the newspapers again reported on the debt crisis in Europe, and Greece in particular came into focus again. In southern Europe, prime interest rates soared while those in the Northern Europe began to decline when the capital was drawn towards countries with more solid budgets, such as Germany and Sweden.

After the summer, the budgetary situation became acute, particularly in Greece and a Euro crisis with the impending economic slowdown was in the offing. In just a few weeks, the stock markets declined by close to 20% and long Swedish government bond rates fell by almost one percentage point to a record low level. For

Total return, %	2011	2010	2009	2008	2007	5 year average
Folksam General	6,9%	6,7%	8,1%	2,5%	3,5%	5,5%
Folksam Life	6,5%	8,7%	10,3%	0,9%	1,8%	5,6%
KPA Pension	5,6%	8,2%	12,4%	6,3%	-3,0%	5,8%

credit bonds the interest rate declined significantly less due to concerns over credit losses and funding problems in the European banking system. Despite intense efforts from Europe's heads of State to resolve the Euro crisis, prime rates in southern Europe soared and the capital continued to draw towards, amongst others, Sweden, with the result that the downward pressure on Swedish interest rates continued relentlessly. In November, the Euro problem also reached Germany and a failed government bond issue resulted in the Swedish interest rate becoming significantly lower than that of the German.

Over the year as a whole, the Swedish stock market fell by approximately 14 per cent and international stock markets, summed up as the MSCI World index, dropped by 5 per cent in local currency- but by two per cent in SEK- owing to changes in exchange rates during the year. The 5-year government bond interest rate was at levels up to 3.3% at the beginning of the year, while down to 1.0 per cent in December.



# Risk Management

The ability to identify, prevent and manage risks is important. The risks that are correctly handled can lead to new opportunities and value creation, while risks that are not treated properly can lead to major damages and costs. Folksam's risks are managed in a uniform manner based on a holistic view of risk situations in both the present and the future.

Folksam is exposed to a wide variety of risks, all of which affect the company's financial position, performance and efficiency. These risks are divided into categories, which are in turn divided into different risk types. The risk map below is a common risk summary that is customised for each company within Folksam.

## 1. Insurance Risks

In all insurance companies, management and valuation of risks is fundamental. Correct pricing of risks secures Folksam's long-term viability. It is also important to ensure that insurance provisions are adequate.

Risks are managed through advanced mathematical methods and by continuous assessment of assumptions. The assessment is based on both internal and external policy data, adjusted for expected future trends.

### Life Insurance risk

To manage the **underwriting risk**\* Folksam regularly re-assesses pricing, terms and conditions of insurance and underwriting rules in order to diversify the risk selection and to cover the costs associated with the insurance contract. The review also covers the limitations



The risk categories concentration risk and matching risk can describe risks within both insurance risks and financial risks.

that ensure that risk selection is in accordance with the guidelines established by the respective Board of Directors.

Underwriting risk is generally higher in personal insurance than in property insurance. The reason for this is that the adjustment of personal injuries generally takes a longer time and that it is more difficult to capture emerging trends adequately. The longer claims handling administration time also means that any legislative changes can have more impact.

The **provision risk**, i.e. the risk that the reserves are not sufficient to settle incurred claims, is managed through advanced mathematical methods and rigorous continuous analysis of reported injuries and cash flows. Provisions are checked and evaluated in the regular financial reporting and forecasting work.

Virtually all insurance contracts are for one year at a time with a right for the insurer to decline the renewal, or to modify the terms and conditions for the renewal.

### Life insurance risk – savings insurances

**Insurance interest rate risk** is of great importance for the traditional life insurance, both when new policies are signed and when calculating provisions. In connection with the **signing**, the risk is that the guaranteed interest is too high in relation to market interest rates, which have implications for solvency and risk capacity. Insurance rate risk in calculation of **provisions**, i.e. the risk that the value of the debt increased as a result of the decline in market interest rates, was one of the more substantive risks during 2011. Even **longevity risk**, i.e. the risk that the remaining life length is underestimated upon signing and for the calculation of provisions, is of great importance in savings insurance. In addition, there is a **mortality risk**, **operational cost risk**, and **surrender risk**.

\*The risk that the premium paid do not cover all costs related to the policy.

Risk provisions in **unit link insurance** and insurance with conditional bonuses are very limited for the company as the policyholder carries the financial risk.

#### Life insurance risk – Personal risk insurance

Incorrect assumptions regarding **mortality**, **morbidity** or **operational costs** can cause losses if the premium does not cover insurance claims and operating expenses (**underwriting risk**) or if the provisions are not sufficient for claims that are not finally settled (**provision risk**). Risks are managed through an annual analysis of mortality, morbidity and operating costs, which is used as a basis for decisions on changes in premiums or provisions.

#### Risk when allocating surpluses

According to the Insurance business act (Försäkringsrörelselagen 2010:2043), distribution of surpluses in life insurance companies must be governed by the each insurance contract's contribution to the surplus. There are insurance risks when managing the surplus, both in the context of how much surplus is allocated to the policyholders' insurance bonuses, and in conjunction with how the surplus payout is distributed over time.

The consequence of incorrect surplus management is an unfair distribution of surplus between different insurance policies. The risks at the time of distribution of surpluses are dealt with through ongoing reviews and updating of the assumptions and collective consolidation as well as the design of technical insurance guidelines and insurance terms and conditions.

#### Concentration risk

Folksam underwrites non-life insurance policies throughout Sweden in all of the major insurance classes. The insurance portfolio is well-diversified due to the large number of customers, albeit with a slight predominance of group insurance, and an underweight of business insurance, which is a relatively newly established area. Insurance linked to group insurance agreements are well

dispersed in both age and geographical terms, which means that the concentration risk is limited.

Folksam's life insurance business is generally directed towards large collectives. This results in consolidation of separate risks and thus reduces them. The concentration risks identified are handled through health assessments in connection with the signing of insurance with death risk. These requirements are most stringent for individually signed insurance, where an individual risk assessment is applied.

#### Reinsurance

Reinsurance is an important part of the risk management of insurance risks. The reinsurance programme is used mainly as a cost protection against major damage but is also a tool to cover excess risk levels.

During 2011 Folksam reinsured its business primarily by non-proportional reinsurance solutions with excesses adapted to conditions in each class.

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Folksam's risks are managed in a uniform manner based on a holistic view of risk situations

## 2. Financial risks

Respective Boards of Directors have the ultimate responsibility for the management of the company's assets and sets the framework and guidelines on how assets will be distributed among the various asset classes. The managing director is responsible for the management of the company's assets within the limits and instructions given by the Board as well as for the review

of placement guidelines. The maximum risk level, as formulated by the Board (in the respective companies within Folksam), is that the risk level must not exceed the conditions yielding a **green light** in the Financial Supervisory Authority's traffic light model.

The starting point for the optimisation and investment policy of each asset portfolio is that the company shall be able to withstand very weak financial markets. Compliance with the legal restrictions on funding and solvency has top priority in the placement policy. Only then will the company's internal risk preferences and business goals be taken into account.

In order to achieve good risk diversification, assets are distributed over a wide variety of asset types and markets. Folksam's asset management control how the assets are allocated within the given limits. Certain types of investments are managed internally, while others are external asset management mandate.

Risk management of **market risks**, i.e. share price risk, interest rate risk, property price risk, exchange rate risk and other market risks, aims at adapting the risk to each company's chosen risk level and expectations of market developments in relation to the company's financial strength. This is applicable for example in the choice of the allocation of investments between asset classes that give rise to market risk and by various types of derivatives, such as futures, interest rate derivatives, etc.

**Credit and counterparty risks** are managed only by allowing investment in securities with a high credit rating.

The greatest risk for a life insurance company is to not be able to cover contractual obligations towards policyholders in the long run. To deal with this **matching risk** special consideration is given to the nature and duration of the insurance undertakings when selecting the composition of the investments.



Folksam's largest **concentration risk** is the holding of shares in Swedbank. This concentration risk is taken into account in the choice of placement policy and especially in the composition of share portfolios in Folksam's parent companies and subsidiaries. The assets will, as a rule, be used for debt service which also means that the risk of excessive single exposures is kept low.

**Liquidity risks** are considered to be of minor importance for Folksam in the overall risk assessment. By placing assets in quoted securities with high liquidity, the liquidity risk is kept at a low level.

### 3. Operational Risks

Identification and assessment of these risk categories is carried out primarily through self assessment where there is a qualitative evaluation of the impact and probability of the risk occurring. All risks are assigned to a **risk owner** and **task manager** who are responsible for continuously monitoring the risks.

Information about risks that are realised, is systematically collected in Folksam's incident reporting system and is an important part of the **self evaluation**.

### The Risk Management Process

The risk management process is divided into steps to **identify, assess, manage, monitor and report** all material risks.

#### Identify

Risks are recognised and recorded in a uniform and systematic manner in accordance with the company's risk categorization. Identified risks are described, recorded and categorised. All risks are linked to information about which units and companies that are affected. All identified risks are assigned a risk owner, and measures are developed to manage and prevent risks.

## Assess

Risks are assessed uniformly and quantified, where possible, with generally accepted methods. The risk assessment can more or less precise, and depending on the nature of the risk, the assessment is quantitative (measured) or qualitative (estimated). The Traffic light, which is the Financial Supervisory Authority's tool for measuring risks in insurance companies, is used as a method for evaluating insurance- and financial risks (market risks and credit risks).

A number of predefined stress scenarios are used to calculate how much capital the company needs to cover risks according to the Traffic light method. The different scenarios give rise to the company's total capital requirement (according to the Traffic light) and are then viewed in relation to the company's available capital.

## Manage

Management of risks occurs in the form of rules, processes and control activities. It is the business operations' and management's responsibility to prioritise the measures required.

## Monitor

Monitoring includes the daily/continuous monitoring of risks and activities, and that the risks are within established limits. The necessary processes and procedures are created to monitor risk. It is the business operations' responsibility to continuously monitor operations and risks.

## Report

All material risks are reported to the Board of Directors and the managing director to provide a

comprehensive and objective view of the overall risk situation. The aggregated risk situation is reported through written reports.

## Organisation and division of responsibilities

In order to clarify the governance and responsibility of risk management and risk control, responsibilities are divided in three lines of activities.

**The first line of responsibility** consists of organisational units, parent companies and subsidiaries, as well as outsourced operations. Those are responsible for managing operations so that the objectives of the Board are met. They own and manage risks, that is to say, they are responsible for risk management, monitoring and compliance.

**The second line of responsibility** is made up of management and control functions to ensure an efficient and effective risk management. The management and control functions support and follow up the first line of responsibility based on frameworks for internal management and control, are responsible for having an overall picture of the risk situation of the company and reporting this to the Board of directors and the managing director.

**The third line of responsibility** consists of internal audit. The internal audit reviews and evaluates, on behalf of the Board of directors, internal governance and control including risk management.



# Employees

Folksam shall be an attractive employer with committed and responsible staff who create customer benefits. In order to achieve this, Folksam works strategically and resolutely with for example, terms of employment, recruitment, skills development, leadership, performance management, and health, safety and the environment.

## Advantageous conditions create security and motivation

Folksam shall be an attractive employer with well-known and competitive offers for current and future staff. During the year an **insurance package** for all employees was introduced containing home insurance, accident insurance, medical, and survivors' insurance, and medical care insurance. The offer also includes discounts on various general insurance policies. The aim is to create long-term security in daily life with, for example, speedy access to advice and medical care. To ensure that everybody has the protection they need, the possibility of receiving personal advice within savings and insurance is also available during the year.

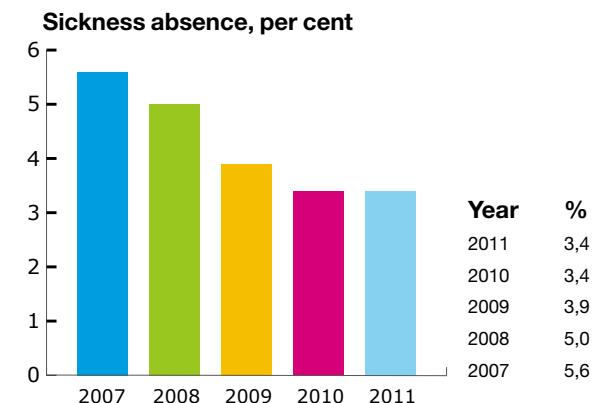
Folksam has a **remuneration policy** that is based on applicable regulations and the company's core values. It applies to all employees and will facilitate effective risk

management, create a positive attitude towards change and development and encourage good work ethics. During 2011 the policy was updated in accordance with the Finance Supervisory Authority's new rules.

## Pilot project for reduced sick leave

Sickness absence remained at the same level as in 2010, however the work continued with various measures designed to promote good health and prevent sickness.

During 2011 a pilot project was introduced for a telephone service offering **medical advice** in conjunction with staff reporting in sick. The aim is to give staff the necessary support in order to stay healthy and to become faster at spotting signs of illness and activating



Staff	2011	2010	2009	2008
Number of staff	3 400	3 637	3 863	3 510
of which women	51%	50%	50%	49%
of which men	49%	50%	50%	51%
Average age	45,2 yrs	45,5 yrs	45,3 yrs	44,8 yrs
Number of managers <sup>1)</sup>	334	360	347	311
of which women	47%	43%	44%	44%
of which men	53%	57%	56%	56%
Staff turnover <sup>2)</sup>	8,0%	4,7%	5,6%	8,0%

<sup>1)</sup> Number of managers is defined as "manager with staff-and organisational responsibility".

<sup>2)</sup> Staff turnover is by definition the lowest number of the number of newly employed or departing employees during the year in per cent of the number of those employed in December.

preventative measures. The pilot showed that on average, each case of sick leave was reduced by one day with most staff responding positively to the service. In order to further reduce the rates of sick leave, the service will be introduced throughout Folksam from 2012.

## Attractive employer

In order to ensure a steady **supply of skilled competence** in the long term, Folksam will focus on strengthening its profile as an employer. During 2011 development continued of education cooperation with universities, university colleges and vocational colleges. The cooperation means for example, participation in case work on various courses, and offers of work experience, work for students who are writing their theses, and summer jobs for students from chosen programmes. Furthermore, Folksam took part in fifteen job fairs in coordination with some of the universities best able to support the skills supply efforts in the long term.

The development continued during the year of the new career web site [folksam.se/jobba](http://folksam.se/jobba) in order to strengthen communication with potential colleagues. It is used, for example, for large recruitment campaigns in sales and IT and during the year it had on average just under ten thousand visitors per month.

## Equality and diversity

**Gender balance** has improved in the company management. The total quota of female managers in the company increased somewhat and is now at 45 per cent.

Folksam works **toward diversity** within recruitment and leadership development. As part of the efforts to encourage diversity and combat prejudice, work continues to implement diversity dialogues in working groups, for example by playing the intolerance discussion game *Identitus*.

## Skills development

Folksam wants to invest in its **leaders**, support their development and equip them to face strategic challenges and changes. During the year, offers within leadership development were intensified by introducing two, new leadership programmes for higher management. Creating a network and an understanding of the big picture are vital steps towards the goal of having bosses who create customer benefits by providing them with conditions for good performance.

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**The staff survey produced very high high scores for leadership - and also objectives and results management**

During 2011 an observation of how Folksam works to manage **individual performance** was implemented. Basically, how the job is carried out, having the possibility to exert influence and to be able to use own competence in order to create commitment and motivation. Staff took responsibility for developing their behaviour in customer meetings by reflecting after each conversation and working on areas that needed improvement. By being sensitive, seeing the customer's needs as a whole and suggesting the best solution, staff created trust and customer benefits. The aim is to introduce this way of working in several Folksam departments.

The insurance industry is facing new challenges that make big demands on the company. **Solvens 2** is the general term for new solvency regulations governing insurance companies, and currently under development

in the European Union. The objective is to create a homogeneous market, improve protection for insurance policy holders, increase the competitiveness of European insurance companies and create better control. In various ways, Folksam has begun to equip itself to achieve this. An important component is to ensure that key personnel have sufficient qualifications, knowledge and experience in order to be able to lead in a wise and responsible manner. That is why Folksam last year began a study in anticipation of the **fit and proper evaluation of key personnel**.

## Committed staff

In the annual **staff survey** Fokus achieved a 92 per cent staff response. The result in 2011 also produced very high scores for leadership - and also objectives and results management.

Internal cooperation is an area that Folksam has focused on and this was reflected by improved scores in the survey. The area that received lower marks was the experience of stress and of enjoyment in work situations. Ongoing changes and new methods of working most probably influenced this.

The staff turnover increased compared with 2010. The explanation for this was predominantly reorganisation, harmonising between companies and retirement.

# Responsible influence

All work carried out in Folksam must be benchmarked against the vision that "people should feel safe in a sustainable world". The vision refers to taking care of nature and society and that sustainable development is one of the most urgent questions to consider. Sustainability issues permeate the whole operation, and already in 2006 Folksam was the first company in Sweden to completely compensate for its carbon dioxide emissions.

Folksam's size makes it possible to make a difference. Demands made of suppliers, for example when repairing the houses and cars that are insured, can therefore make a big difference. Folksam's high environmental standards have contributed to a better environmental standard with several major sub contractors. Those parts of Folksam most able to make a difference have been certified according to ISO 14001, the established international standard for environmental management systems.

Those who have the knowledge and ability to positively influence social development have a duty to do so. Folksam has done this since the company was founded over 100 years ago. "Responsible influence" is one of the Board's five strategic areas of focus and includes Folksam's preventative work within road safety research, environment, and sustainability issues and also corporate governance. Folksam aspires to become a driving force in all of these areas.

## Good Environment Choice

The 28th of November 2011 was a historic day when Folksam, as the first insurance company in the world, was approved as a 'Good Environment Choice' - the toughest eco-labelling in the world. The Swedish Society for Nature Conservation awards Good Environment Choice and the certification covers car – and villa insurance with Folksam General. Real proof that Folksam takes environment issues seriously and takes responsibility for the company's carbon footprint.

Folksam meets the eco-label's 43 different criteria, of which the largest and most comprehensive are:

### 1. Recycling and environmentally friendly damage repair

With Folksam's car insurance, customers are guaranteed that repairs are carried out in an environmentally friendly manner with a high proportion of recycled material. Folksam also places tough environment requirements on all suppliers, from construction materials to the sorting of waste.



### 2. Ethical investment

Folksam General's asset management does not invest in weapons, alcohol, tobacco, coal, nuclear energy, uranium or companies that abuse human rights. Moreover, Folksam influences other sectors by making specific demands on the sustainability work and accounting of the concerned companies.

### 3. Durable and safe replacement cars

Folksam offers a more environmentally friendly and safer car as a replacement during damage repair. The criteria for safety is taken from Folksam's annual report "Safe and Durable" which is based on statistics from actual traffic accidents.

### 4. Green energy

Folksam uses origin-specified, renewable energy; wind power, for all our offices and properties.

### 5. Eco-friendly purchasing

Folksam makes environmentally friendly purchases by obtaining items such as paper, coffee and office supplies in line with strict environmental requirements.

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Folksam's high environmental standards have contributed to a better environmental standard with several major sub contractors

## Folksam compensates for its carbon foot print

Folksam's carbon foot print is growing. The total carbon foot print for 2011 measured **3 975 tonne of CO2e**. In comparison with the previous year this was an increase of 122 tonnes. This was mainly due to the carbon foot print includes three new items from the head office Tullgården, namely coffee and paper consumption and emissions from printed material. Emissions from various activities have reduced in comparison with previous years.

In 2011 the annual measurement included unlike previously, not only carbon dioxide but all CO<sub>2</sub> equivalents, i.e. all six greenhouse gases. Folksam endeavours to increase the number climate compensatory actions annually.

Folksam compensated by planting approximately 23 118 trees during 2011 which is equivalent to around 4 795 tonnes of carbon dioxide, and brings the total number of trees to just over 400 000. Folksam therefore more than compensates for its emissions. All tree planting is carried out by VI-Skogen and follows the Plan Vivo method. The planted trees are fast growing, shady and enrich the ground which means that both trees and crops can be planted together – also known as Agroforestry.

## Environment classified property management

Efforts to streamline and to rearrange the use of energy continue in Folksam's properties. Folksam classifies their buildings according to the Environment building and the Green Building system, an easy cost-effective way to classify buildings without compromising on quality. The system can be used for both new and existing buildings, regardless of size.

Environment Building is administered by the Sweden Green Building Council and the indicators that control the rating are: energy use, indoor environment (sound, light, radon, humidity, etc.), as well as the presence of particularly harmful substances. Green Building is based upon reducing the building's use of energy by 25 percent, or alternatively having an energy consumption that is 25 percent lower than the demands of a new building. No other criteria need be met.

During 2011 further properties with high energy consumption underwent a deeper energy investigation to find more efficient methods of energy consumption.

One way to improve energy use is to replace all fossil fuel with climate-neutral fuel. In November, another large property was converted from electric- and oil-fired central heating to district heating which means a reduced oil consumption of approximately 2000 litres per year. Folksam properties' first new construction in Fruängen, outside Stockholm, was equipped with individual meters

for heat, electricity, cold and hot water, in each dwelling, in order to reduce energy consumption.

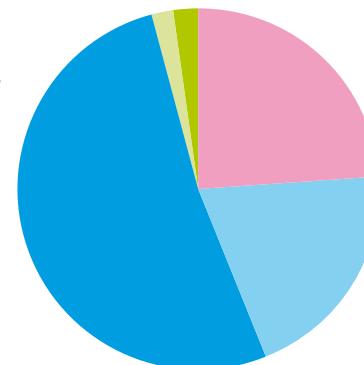
**Heat Consumption**, responsible for the greatest climate impact from Folksam's operations, amounts to a total of 2 075 tonne CO<sub>2</sub> and thus comprises 52 per cent of the total foot print. This means a reduction of 77 tonnes of carbon dioxide despite the fact that Folksam's property portfolio has increased by approximately 18 000 square metres. This can be partly explained by the fact that Folksam works actively with efficiency measures designed to reduce heat consumption, and that during the year converted certain properties from oil-fired heating to district heating.

Compared to 2011 property electricity consumption has reduced by 6,7 kWh per square metre which in 2010 was at 32 kWh/sqm.

Folksam's electrical consumption amounted to 17 tonne CO<sub>2</sub>, which is a reduction of 2,4 tonne compared to the previous year. All electricity is wind power of specified origin.

## Greater climate impact from business travel

Air travel accounted for 24 per cent of Folksam's total footprint and increased in comparison with the previous year. Folksam introduced an entirely new sales and advisory contract in March 2011, where many employed agents who previously agreed to a contract without mileage and travel reimbursement are now included. This can be a contributing factor to the increased emissions. During the autumn a big personal advice initiative was launched which led to a group of advisors travelling around the country to meet



## Emission by activity in 2011 in percent

Aviation	24
Road travel	20
Heat	52
Paper	2
Printed matter	2
Rail travel	0
Electricity	0
Coffee	0

## Emissions per activity and comparison with previous year, tonnes of CO<sub>2</sub>e

Activity	2011	2010	2009
Road travel	800	843	944
Air travel	940	838	989
Rail travel	0,003	0,22	Ingick ej
Heating	2 075	2 152	2 226
Electricity consumption	17	19,4	620
Printed matter	64	Ingick ej	Ingick ej
Paper	65	Ingick ej	Ingick ej
Coffee	14	Ingick ej	Ingick ej
<b>Total</b>	<b>3 975</b>	<b>3 853</b>	<b>4 779</b>



co-workers for a review of savings and insurance – this may also have contributed to the increased number of flights.

In 2012 a detailed mapping of the flights will be carried out in order to create better conditions to reduce them in the years to come. The number of train journeys increased 2011 to 1 784 (1 729). The total footprint for these trips is 3 kilo CO<sub>2</sub>e.

The number of kilometres driven in a company car, for Folksam and including KPA Pension, decreased from 5 187 440 kilometres in 2010 to 4 876 800 kilometres in 2011. Folksam can influence the choice of cars used by Group management and those who must drive and these cars are used according to Folksam's strict environmental – and safety criteria.

### **Environmentally certified suppliers**

Folksam is a major purchaser in both the operational and claims sectors. The approach to purchasing issues seriously affects the suppliers that Folksam chooses to work with. Folksam attaches great importance to environmental performance and good working conditions in the production of the items and services purchased. The main purpose is to give priority to suppliers and products which are environmentally certified.

One of the activities within Folksam that most affects the environment is **car repairs**. In order to reduce the environmental impact of car repairs, Folksam recycles used original parts and repairs plastic fittings and glass panes instead of using new spare parts. **During the year, this approach helped avoid creating a 1 231 796 kg waste mountain.**

To reuse and repair instead of buying new is not only a victory for the environment, but also good business for Folksam. By working in this way in 2011, Folksam saved SEK 118 million when repairing damaged cars. Total recycling in connection with car repair meant a saving of SEK 750 million in the last eleven years.

Folksam has long worked with **IT from various environmental perspectives**. By virtualising the server areas it was possible to remove a large number of servers which resulted in reduced energy needs.

Folksam also has an agreement allowing the opportunity of handing in old machines for recycling in an environmentally correct manner via our new partner. The main task for 2011 was partly outsourcing and partly replacing the printer fleet. Replacing printers affects the ability of long-term sustainability. This happens partly by using double-sided printing and also that the print default is now in black and white. In addition to this, unnecessary printing is minimised by staff using their pass cards at the printer in order to be able to print. During 2011 Folksam successfully reduced the amount of printed matter. The ambition is to reduce the amount of printed matter considerably more. Customers will also be able to choose to receive insurance terms and invoices digitally.

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The knowledge Folksam's traffic research provides is used to save lives on the road

## 30 years of traffic research

Road traffic injuries mean huge losses for both public health and the economy, but above all for the individual. Folksam has over 30 years of experience in research in road safety issues, with emphasis on studying real road accidents. The knowledge Folksam's traffic research provides is used to save lives on the road. Fewer traffic injuries also means lower costs for damage and hence lower traffic insurance premiums which benefits Folksam's customers.

A large part of Folksam's research focuses on identifying the security level of various car models and their security systems. The results are used to inform and influence the public, businesses and the public sector on the importance of prioritising safety when purchasing cars.

### In-depth studies of car crashes give increased knowledge

In order to gain a better understanding of how and why personal injury occurs in car crashes, Folksam runs in-depth studies of car crashes. In the depth studies data is examined from black boxes which register collision forces at a crash combined with detailed information about, *inter alia*, personal injuries, the sequence of events leading to the crash and the car's damage. Emphasis is placed on injuries that lead to death or invalidity. Studies of this kind are unique in the world.

The results of the depth studies make it possible to analyse how injuries in traffic accidents could be avoided in the future. Folksam's collision data has formed the basis of development of the crash test programme used

### Black boxes

Between 1992 and 2011 Folksam has installed 280 000 black boxes in cars from four different car models in Sweden. In May 2008 Folksam launched a new black box that measures crash forces from several directions and with greater accuracy. The new box has been mounted in 40 000 cars up to and including 2011. The purpose is to better understand why injuries occur and how they can be prevented.

in the evaluation of cars' ability to protect against whiplash injuries, as well as for several car manufacturers' development of protection against whiplash injuries.

### How safe is the car?

In connection with one of Sweden's larger traffic safety conferences "Tylösandsseminariet" held in August 2011, Folksam presented a follow-up to "how safe is the car?" that shows cars' crash resistance ability based on real incidents. The study reveals an amazing development in cars' crash resilience. Comparing today's cars with models launched in the 1980s, the risk of being killed in a car has decreased by 90%. If everybody would choose cars from the safest models on the list, the number of injuries resulting in invalidity would be reduced by approximately 30%. The study ranked Toyota Avensis 03-08 at the top together with the Volvo S60/V70/S80 98-06, both approximately 32 per cent safer than average.

### Cars' whiplash protection even better

Since 2003 Folksam has presented the crash test results that show how well various car models protect against whiplash injuries in rear-end collisions. The latest crash test results were presented in 2010. Since 2005, Folksam also analysed how well cars' whiplash protection works in real crashes. Generally, the cars equipped with special whiplash protection showed half as many injuries leading to disability compared with cars launched during the same time period (1998-2010) without such protection. The protection has also shown to be more effective for men than for women. It is therefore important to continue to map the problem of whiplash injuries in order to obtain more effective protection, especially for women. Folksam is involved in a major international EU-funded project in order to identify exactly this, and to produce a female crash test dummy to be used for the development of new protection.

## Workmen's vans have lower security

In December 2011, a study was presented that showed that vehicles often driven by craftsmen have significantly worse safety than ordinary passenger cars. To a large extent they lack the safety equipment that is standard equipment in regular cars. They also receive lower priority in of Euro NCAPs crash tests. None of the vans in the test met the criteria that Folksam set for normal cars. An example from the study was that only 37% of these vehicles had anti-lock installed as default, while 98% of cars did have this. Folksam pointed out that it is a serious health and safety problem.

## Poor crash safety in elk collisions

Each year around 7 000 collisions occur with elk in Swedish traffic. In October 2011, Folksam presented a study that showed that today's cars, driven at over 80 km per hour, have difficulty withstanding a collision with an elk without significant risk of serious injury or death. The study covered both results from real accidents and five crash tests, and also showed that problems with wild life accidents can be reduced by automobile manufacturers improving the car's roof structure and by introducing an auto brake system that can identify larger game.

## Green and safe

To encourage private car buyers to choose cars that are the very best within environment and safety areas, in June Folksam presented a new insurance solution, in which premiums are reduced by approximately 10% on a variety of car models that meet the high demands of safety and environmental impact. The insurance solution is in line with Folksam's policy Safe and Sustainable.

## Responsible driving = lower insurance premiums

In spring 2011, Folksam, MHF, SalusAnsvar and Transport Department launched a research project

with the aim of creating a safer traffic environment. The project will evaluate the possibility of using economic incentives - a lower car insurance premium - to get motorists to change their behaviour in order to drive in a safer and environmentally friendlier manner. The project involves a test group of 250 private motorists. Drivers in the test group are offered up to 30% discount on their annual insurance premium with SalusAnsvar for safe driving. The idea is that it will be worthwhile to drive responsibly – the longer the distance travelled within the existing speed limits, the higher discount on car insurance premium. The driving is measured with the help of GPS technology mounted in the test drivers' cars. The test will last until June 2012 and Folksam is responsible for the evaluation.

## Many unrecorded bicycle accidents

Folksam presented data about bicycle accidents with the aim of raising awareness that they account for a very large proportion of traffic damage caused, and that bicycle accidents, therefore, should be given higher priority in society. Bicycle accidents cause as many lasting injuries as car accidents but this has not previously been visible in the statistics. Previously, national data was based on accidents reported by the police, but since a few years ago, they are based on hospital casualty wards' reports. With the old way of describing the consequences of injury, there were approximately 2,000 seriously injured motorists and 300 seriously injured cyclists each year. With the new way of evaluating the consequences of traffic accidents, as many injuries leading to loss of health occurred in bicycle as in car accidents; approximately 1 700 per year for each group.

## Responsible ownership

Folksam is convinced that companies that take responsibility for the environment and human rights are more profitable in the long term. By the criteria - environment, human rights and anti-corruption – Folksam influences those businesses that the company invests in.

Certain companies are excluded regardless of how small their environmental impact is or how good their working environment is. These exclusion criteria are tobacco and illegal weapons, such as cluster bombs, anti-personnel mines and nuclear weapons.

These criteria apply to all companies within Folksam, with two exceptions, subsidiary KPA Pension has decided on even tougher exclusion criteria and nor will they invest in the arms industry, alcohol manufacturers, or in the commercial gaming industry, and they set tougher environmental requirements. For Folksam General, awarded Good Environment Choice, even companies in coal, uranium and nuclear power production are excluded from investment.

Folksam manages approximately **SEK 285 billion for just over four million customers**. It confers power to influence and change society in the long-term. All capital that Folksam manages, regardless of whether it is funds, insurance portfolios or individual missions, is subject to ethical investment criteria.

Folksam's ambition to influence businesses to assume their social responsibility is very much a public work, because knowledge contributes to positive change. Folksam publishes annual reports and indexes in which we provide information about the company's work within, *inter alia*, the environment, human rights and gender balance.

## UN principles guide Folksam

The United Nation's principles for responsible investment PRI, (UN Principles for Responsible Investments) is a UN initiative launched in 2006 and is based on six principles. The aim of the initiative is to incorporate sustainability issues into the investment process for institutional investors, pension managers, and funds.

Folksam was the only Swedish investor who participated in the drafting of the guidelines, which concern the environment, social issues and corporate governance. Folksam was also one of the first investors to sign up to the principles.

## **1. Ethical investments**

*Folksam includes environmental, social issues and corporate governance in the financial analysis and the decision-making process*

Ethics will affect any investment. Folksam's work to influence companies in sustainability issues is partly aimed at reducing the risks associated with environmental crime, human rights abuse and corruption, and partly to make more people see the commercial potential of a responsible business. In 2011 the activities of 2632 companies were audited focusing on corporate performance regarding the environment and human rights. The review has meant that several companies have been excluded, while others have restructured and improved their environmental work or their way of working with human rights after dialogue with Folksam.

**”** All assets that Folksam manages are subject to ethical investment criterias

## **2. Active ownership**

*Folksam is an active owner and incorporates environmental and social issues into the corporate governance policy and the method of working*

Folksam's Board of Directors has established a corporate governance policy and ethical investment criteria for the companies' holdings. Activities are followed up by an internal corporate governance committee. The results are reported to the boards.

## **3. Transparency**

*Folksam promotes transparency and increased reporting on environmental, social issues and corporate governance from the companies in which we invest*

Since 2009, Folksam, as one of 14 Swedish investors, participated in the project "Sustainable value creation" in order to influence Swedish listed companies towards sustainable development and long-term value creation. In autumn 2011 for the second time, sustainable value creation carried out a survey among the 100 companies with the highest market capital on the Stockholm Stock Exchange. The purpose was to ensure that businesses have an adequate framework in which to control and monitor sustainability issues. The results were presented in a report in January 2012.

## **4. Dissemination**

*Folksam works actively so that the principles for responsible investments will be approved and implemented within the financial services industry*

Folksam distributes the funds of several different fund management companies. Since 2010 all fund management companies that Folksam own are invited to adhere to the Principles of Responsible Investment. Folksam continually informs the external fund management companies about the exclusions that have been made due to Folksam's ethical investment criteria, and requests information about how the fund management company acts on the basis of this information. In addition, ethical funds shall meet the criteria that the Ethics Board for fund marketing, ENF, has established.

## **5. Cooperation**

*Folksam cooperates with other investors in order to promote the use of the principles*

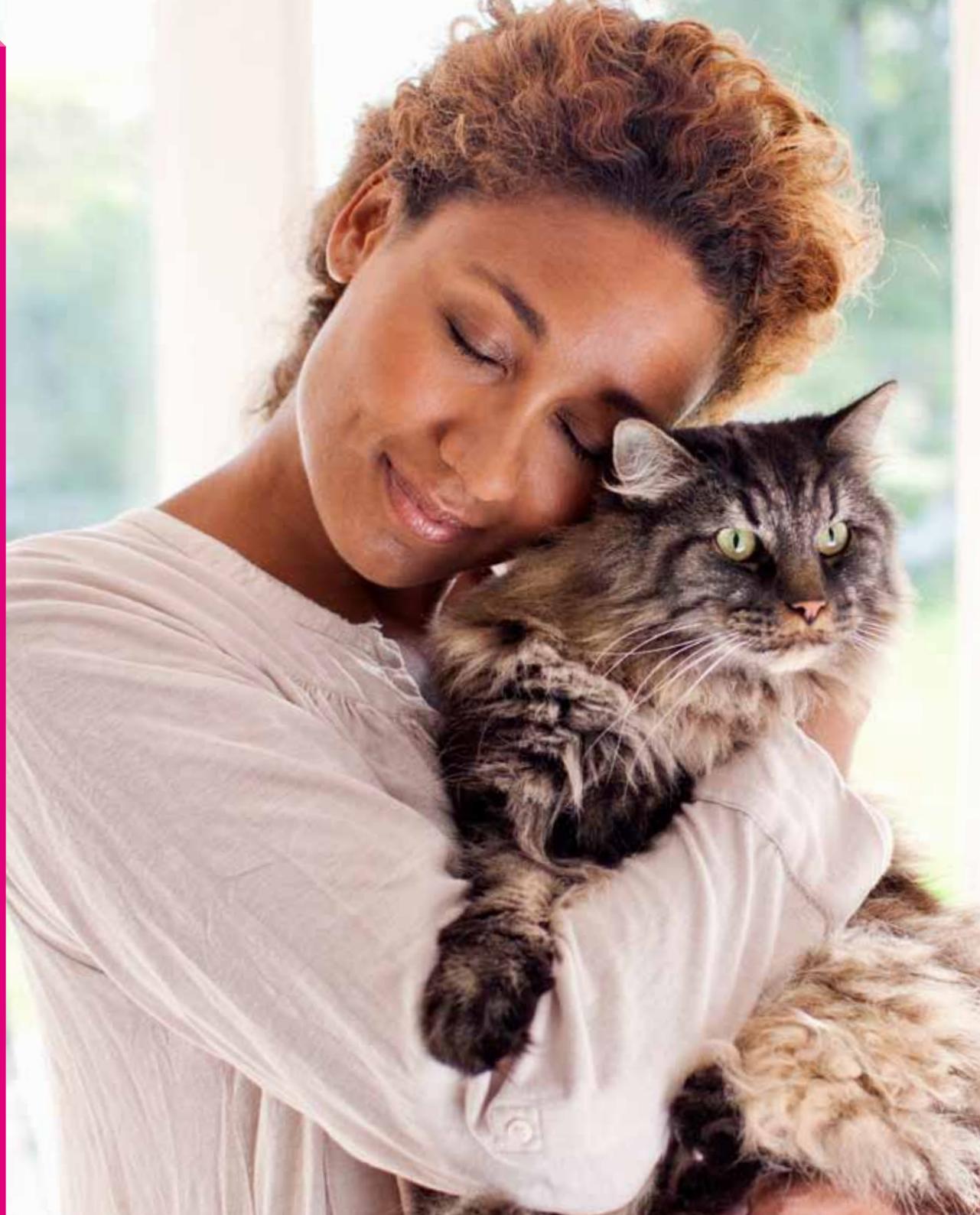
**Nordic cooperation for responsible enterprise.** Folksam has Since 2008 Folksam has been cooperating with the Norwegian life insurance company, KLP and Finnish pension company Ilmarinen, Nordic Engagement Cooperation (NEC). The purpose of the NEC is to co-ordinate corporate governance activities relating to the environment, human rights and anti-corruption.

**International investor cooperation for control of working conditions in the supply chain.** Folksam participated, along with 13 other investors from different countries around the world, in a joint project coordinated by the Secretariat, for PRI in London. The investor group contacted 55 listed companies the world over due to their lack of a code of conduct for suppliers or lack of an internal policy for the human rights of employees.

## **International investor cooperation for gender balance.**

During the year the nine investors, who in 2010 merged in a new gender equality initiative, continued their work. The investor group, of which Folksam is included, has identified gender equality as a strategic issue and asked for more information on gender equality work in 65 selected listed companies. Folksam has now conducted meetings with nine of the ten Swedish companies included in the initiative. Among other things, this has resulted in one company introducing a gender balance policy and one other updating its policy.

**Global Network Initiative.** In 2011 Folksam was accepted as a member of the Global Network Initiative, NCI, an international organisation aiming to work in order to secure human rights within the IT and telecommunications sectors. The point of Folksam's membership is that as an investor in IT and telecommunications, it can draw further attention to the impact that these



companies have on freedom of expression and privacy on the Internet and what responsibility they should take.

## 6. Reporting

Folksam reports on the measures taken and how the work to implement principles for responsible investment progresses

### **En katt bland hermelinerna – a blog about corporate governance**

Since 2009, Folksam's department for Responsible ownership has been featured in the blog *En katt bland hermelinerna* ([www.agarstyrning.folksamblogg.se](http://www.agarstyrning.folksamblogg.se)). In 2011 the blog was completed with a Twitter account, @etikkatten, where topical current updates are published.

### **Identifying responsible enterprise**

During 2011, Folksam's Index for responsible enterprise was presented for the fifth time. Atrium Ljungberg received the highest score for its work with human rights and SKF received top placement for the fifth consecutive report for its environmental work. Atrium Ljungberg and SKF got the highest overall score for human rights and the environment. The materials sector peaked at the top for both environment and human rights in a comparison between sectors. The software industry got the lowest placing for environment and the power generation industry with respect to human rights.

It is clear that higher market capitalism, larger owner diffusion and higher turnover is related to better work with human rights and the environment. The companies at Large Cap received better scores than companies at Mid or Small Cap.

Folksam's index for responsible enterprise is the first investigation that maps the Swedish quoted companies' publicly reported work with the environment and with human rights. The aim is to inspire more companies to take greater responsibility and work more actively with the environment and human rights.

# Solvency 2

Solvency 2 is the collective name for the new rules on solvency for insurance companies now being prepared in the EU. This Directive is expected to enter into force in 2014 and is intended to strengthen the relationship between solvency requirements and risks.

## **The rules are built on three pillars.**

**Pillar 1** – qualitative requirements for calculation of capital requirements

**Pillar 2** – qualitative requirements for rules and oversight (corporate governance)

**Pillar 3** – reporting and public information

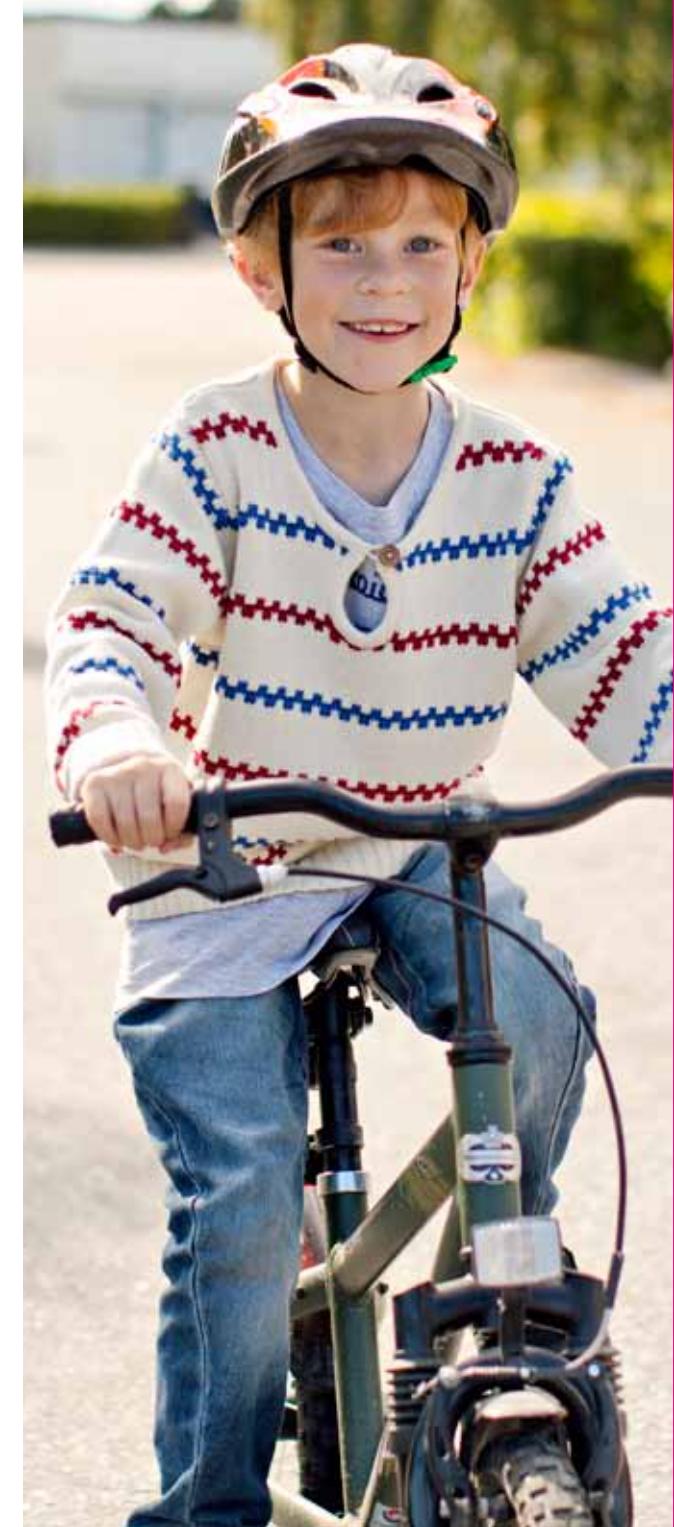
Adaptation to the new rules began back in 2009, when the Folksam boards decided on frameworks and principles for implementation. It was noted that both the internal and external requirements will increase, but that Folksam will be able to meet these through good governance, risk management and compliance.

The purpose of Folksam's Solvency 2 programme is to ensure that the company fulfils the regulatory requirements. The intention is for both decisions and implementation work to be carried out in the part of the organisation where the responsibility concerned will be borne after the end of the programme period.

The programme is proceeding according to plan. Work was intensified in 2011 and was principally focused on corporate governance, capital requirements and reporting. Under the programme there is a reporting project aimed at creating access to traceable, correct and readily accessible basic data from insurance, economic and financial systems. In addition, effective reporting processes are being implemented, including calculations from basic data through to finished reports.

In the other part of the programme, concerned with governance, the aim is to strengthen the qualitative characteristics of the companies' organisation and sets of rules. An important aspect is to make sure that key individuals have sufficient qualifications, knowledge and experience to be able to manage in a sound and responsible manner. During the year, Folksam therefore launched a survey ahead of aptitude testing of key individuals.

Solvency 2 represents modernisation for the whole industry, which is good for Folksam and its customers. Successful companies are the ones that best turn change in the world in which they operate to their advantage.



# Folksam with subsidiaries



2011 was a successful year for Folksam. The premium volumes increased and we captured market shares in several areas.

# Folksam General

Folksam General runs a non-life insurance business with a main focus on the Swedish household market. The company offers a full range of insurance products to households and individuals with car and household insurances as the base, supplemented with commercial insurance products within selected areas. The operational activities are carried out within two business segments, Partners and Private, which are supported by common group functions.

## Results and market

### Premium income and market share

The premium income (after reinsurance) in the Group increased to SEK 9 362 million (8 822) and in the parent company to SEK 8 068 million (7 789).

The private market continues to grow. In 2011, the number of combination customers in Folksam continued to increase to 500 000 at the end of the year. In order to be considered a combination customer the requirement is to have both the car and the home insured by Folksam. In order to further strengthen relations with our most important customers, investment in combination offers adapted to the individual customer continued. The positive sales development of so-called add-on insurance policies continued in 2011.

In order to meet customer demands for clearer and simpler alternatives, home and house insurance products were launched in three sizes; Base, Medium and

Plus, during the year. Household insurance is the most strategically important product and comprises the core of the whole insurance offering.

The positive trend in the motor and traffic insurance continues which resulted in 30,000 new policies written in 2011. Folksam also strengthened its position in brand insurance and is currently in partnership with Toyota/Lexus, Honda, Suzuki, Mitsubishi, and Hyundai.

Folksam's attractive offer to pet owners lead to increased market shares. The market share within pet insurance increased from 18,0 to 19,5 per cent during 2011.

The commercial market continued to develop during the year. A clear strategy has been developed, focusing on small businesses, property and motor insurance.

The Stockholm Cooperative Housing Association (SKB) has chosen to extend its contract with Folksam. The extension is a result of a public tender carried out Söderberg & Partners, an insurance mediator. The agreement provides home insurance to everyone who rents an apartment from SKB in the association's buildings. The insurance premium is paid by SKB and is included in the rent. Folksam's collaboration with SKB started in 1943 and was Folksam's first obligatory home insurance contract.

Folksam also launches a simple guide available at [folksam.se](http://folksam.se) in early 2012. The guide will help customers to chose the right insurance and stimulate interest in learning more about our home insurance.

During the year, Folksam General launched a new insurance for all children which can even be signed for through a web service.

The market share, measured by total paid-in premiums according to Insurance Sweden's statistics, increased to 15,4 (15,1) per cent while the market share in the household market, according to Insurance Sweden's statistics for the Folksam General group was 19,9 (19,8) per cent. The market share, measured by the number of insurance policies for separate home insurance, reached 48,3 (49,8) per cent, for combined villa and home insurance 28,1 (28,8) per cent and for car insurance 21,5 (21,7) per cent.

### Results

The Group's profit before appropriations and tax was SEK 1 749 million (1 712) and in the parent company SEK 1 386 million (1 751). The result from insurance operations deteriorated as a result of increased claims costs while return on assets contributed strongly to the positive result.

Insurance claims (after reinsurance) increased during 2011 and amounted to SEK-7 983 million (-7 265) for the group and to SEK -6 909 million (-6 354) in the parent company. A significant reason is that the real interest rate used for discounting life annuity provisions dropped sharply in 2011. The annuity provisions increased by SEK 653 million, which affected the technical insurance result negatively. In 2011, as in the previous year, claims costs were affected by adverse weather-related events, but the main reason for the increase is rising claims costs in home, house and holiday home insurance. For example, water damage due to leakage, which is the largest contributor to costs in home and house insurance, increased sharply in the past three years. The number of reported claims in the Group in 2011 increased compared to previous years, 8 per cent in car insurance and 14 per cent for home, house and

holiday home insurance. In 2011 a reinsurance claim of SEK 800 million with General Re was settled, resulting in a loss of SEK -47 million.

The total cost ratio in the parent company increased to 103,8 (98,6) per cent. Operating costs increased during the year by SEK 145 million. The cost increase is due to pension provisions to KP Pensjonsstiftelsen safeguarding employees' pensions, which was SEK 113 million higher than in 2010, a year with exceptionally good return on assets. Operating costs were also increased by the ongoing adjustments to Solvency 2. The operating cost ratio compared to the premiums increased to 18,2 (17,0) per cent. Operating costs are also affected in a positive manner by the continuing efforts to develop and improve organisation and processes.

### Financial position and strength

The consolidation capital within the Group and the parent company continued to be strengthened and amounted to SEK 10 358 million (9 267) for the Group and SEK 10 240 million (8 821) for the parent company.

The consolidation ratio amounted to 107 (102) per cent in the Group, and 123 (110) per cent in the parent company.

### Return

The total returns on assets was 6,9 (6,7) per cent, corresponding to SEK 1 825 million (1 652). The main explanation behind the total returns on assets is the company's strategic asset allocation, which is governed by the nature of the insurance liabilities and the company's risk tolerance. This year's good yield is explained mainly by the fact that most of the investments were made in interest-bearing securities, as a result of sharply decreasing interest rates, and a good return in property investments.

The share exposure, mainly shares in Swedbank, was approximately 12 per cent at the end of the year. The yield on shares has been negative. Currency exposure has been increased from approximately 4 per cent to around 8 per cent during the year with an aim to achieve greater diversification. The assets' interest risk has

been well matched with the technical insurance provisions' interest risk.

### Subsidiaries

Tre Kronor Försäkring AB continued to grow. Premium income (after reinsurance) increased by 57 per cent and amounted to SEK 581 million (370). Earnings before tax amounted to SEK 1 million (-47). Last year's performance improvement was due to an improvement of the technical insurance result as well as better results from asset management. The stock of insurance policies continued to grow, as measured in terms of insurance contracts the increase was 27 per cent. The consolidation capital amounted to SEK 158 million (155).

The premium income (before reinsurance) of Svenska Konsumentförsäkringar AB grew by 7 per cent to SEK 713 million (664). The result for 2011 amounted to SEK 21 million (-22). The improved result was due to increased premiums and better returns on assets during the year. The consolidation capital amounted to SEK 507 million (487).

### Folksam General total return, parent company

SEKm	Opening market value 2011-01-01	Closing market value 2011-12-31	Total return 2010 SEKm	Total return 2011 %	Total return 2010 %	Total return 2009 %	Total return 2008 %	Total return 2007 %
	2011-01-01							
Interest-bearing	18 382	21 480	1 476	7,6	2,2	4,1	6,7	2,9
Equities	4 566	3 786	9	-1,0	33,0	55,2	-49,9	-2,4
Alternative investments	158	576	27	2,4	-6,7	-13,3	-12,2	6,7
Properties	1 865	2 117	198	10,6	1,7	-4,1	6,3	10,3
Strategic holdings	993	791	33	3,7	4,6	-2,9	12,2	10,9
Hedging instruments	18	42	82	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>25 981</b>	<b>28 792</b>	<b>1 825</b>	<b>6,9</b>	<b>6,7</b>	<b>8,1</b>	<b>2,5</b>	<b>3,5</b>

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return.

Note 51 describes how the total return table is linked to the income statement and balance sheet.

## Five-year summary and key ratios, SEKm

Group	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>
<b>Results</b>					
Premium income (net of reinsurance)					
	9 697	9 125	8 552	8 040	8 328
Premium revenue (net of reinsurance)	9 362	8 822	8 579	8 133	8 207
Net return on capital in insurance operations	641	643	626	705	773
Other actuarial income (net of reinsurance)	26	30	107	78	51
Claims incurred, net	− 7 983	− 7 265	− 6 747	− 5 416	− 6 120
Operating expenses in insurance operations	− 1 734	− 1 575	− 1 608	− 1 824	− 1 543
Bonuses and rebates, net	− 9	− 1	6	− 24	− 4
Other actuarial expenses (net of reinsurance)	−	− 38	− 1	− 1	− 2
<b>Actuarial result from insurance operations</b>	<b>303</b>	<b>616</b>	<b>962</b>	<b>1 651</b>	<b>1 362</b>
Remaining return on capital	1 457	1 074	1 279	− 144	− 297
Other	− 11	23	13	− 4	− 14
<b>Profit before appropriations and tax</b>	<b>1 749</b>	<b>1 713</b>	<b>2 254</b>	<b>1 503</b>	<b>1 051</b>
<b>Financial position</b>					
Investments at fair value	29 225	25 664	24 804	24 885	26 249
Actuarial provisions (net of reinsurance)	23 456	21 874	20 769	20 152	20 227
<b>Solvency capital</b>					
Taxed equity	7 717	6 866	5 446	5 989	4 594
Subordinated liabilities	−	−	1 475	975	975
Deferred tax liability	2 462	2 255	1 745	1 172	981
<b>Surplus value in investments</b>					
Investments in Group companies	−	146	216	357	665
Other financial investments	−	−	−	−	−
<b>Total surplus value</b>	<b>179</b>	<b>146</b>	<b>216</b>	<b>357</b>	<b>665</b>
<b>Total solvency capital</b>	<b>10 358</b>	<b>9 267</b>	<b>8 882</b>	<b>8 493</b>	<b>7 215</b>

Group (continued)	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>
<b>Key ratios</b>					
<b>Profit on non-life insurance operations</b>					
Claims ratio	85	82	79	67	75
Operating expense ratio	19	18	19	22	19
Total expense ratio	104	100	97	89	93
<b>Profit from asset management</b>					
Yield, per cent (3)	3,5	2,2	2,7	4,4	3,7
Total return, per cent	6,9	6,8	8,2	2,2	3,3
<b>Financial position</b>					
Consolidation ratio, per cent	107	102	104	106	86

<sup>1)</sup> Restated owing to transition to full IFRS in the consolidated accounts and for provision for pensions and similar obligations. Previous years have not been restated with respect to this change of accounting policy.

<sup>2)</sup> Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

<sup>3)</sup> Yield has been restated for 2009 in accordance with FFFS 2009:12 (FFFS is the regulatory code of the Swedish Financial Supervisory Authority). Reported key ratios relating to yield for 2006-2008 are calculated in accordance with FFFS 2008:26.

## Five-year summary and key ratios, SEKm

Parent company	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>
<b>Results</b>					
Earned premiums (net of ceded reinsurance)	8 292	7 989	7 607	7 200	7 514
Earned premiums (net of ceded reinsurance)	8 068	7 789	7 704	7 298	7 410
Net return on capital in insurance operations	608	613	595	668	737
Other actuarial income (net of reinsurance)	25	30	75	50	50
Claims incurred, net	– 6 909	– 6 354	– 6 103	– 4 817	– 5 558
Operating expenses in insurance operations	– 1 467	– 1 322	– 1 378	– 1 594	– 1 350
Bonuses and rebates, net	– 9	– 1	6	– 24	– 4
Other actuarial expenses (net of reinsurance)	–	–	– 1	– 1	– 3
<b>Actuarial result from insurance operations</b>	<b>316</b>	<b>755</b>	<b>898</b>	<b>1 580</b>	<b>1 282</b>
Remaining return on capital	1 079	999	1 301	– 21	– 219
Other	– 9	– 3	– 3	– 3	– 2
<b>Profit before appropriations and tax</b>	<b>1 386</b>	<b>1 751</b>	<b>2 196</b>	<b>1 556</b>	<b>1 061</b>
<b>Financial position</b>					
Investments at fair value	28 164	25 032	24 058	23 665	25 112
Actuarial provisions (net of reinsurance)	21 719	20 302	19 422	18 897	19 051
<b>Solvency capital</b>					
Taxed equity	2 313	2 131	1 920	3 032	2 547
Untaxed reserves	7 142	5 998	5 189	3 707	2 587
Subordinated liabilities	–	–	975	975	975
Deferred tax liability	606	546	315	150	201
<b>Surplus value in investments</b>					
Investments in Group companies and associates	179	146	216	359	667
<b>Total surplus value</b>	<b>179</b>	<b>146</b>	<b>216</b>	<b>359</b>	<b>667</b>
<b>Total solvency capital</b>	<b>10 240</b>	<b>8 821</b>	<b>8 615</b>	<b>8 223</b>	<b>6 977</b>

Parent company (continued)	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>
Capital base	9 989	8 548	7 838	7 346	6 052
Required solvency margin	1 404	1 296	1 263	1 322	1 429
Capital base for the insurance group	10 065	8 607	7 971	7 471	6 181
Solvency margin for the insurance group	1 655	1 509	1 443	1 487	1 592
<b>Key ratios</b>					
<b>Profit on non-life insurance operations</b>					
Claims ratio	86	82	79	66	75
Operating expense ratio	18	17	18	22	18
Total expense ratio	104	99	97	88	93
<b>Profit from asset management</b>					
Yield, per cent (3)	3,2	2,3	3,0	4,9	3,9
Total return, per cent	6,9	6,7	8,1	2,5	3,5
<b>Financial position</b>					
Consolidation ratio, per cent	123	110	113	114	92

<sup>1)</sup> Restated owing to change in accounting policy for provision for pensions and similar obligations. Previous years have not been restated with respect to this change of accounting policy.

<sup>2)</sup> Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

<sup>3)</sup> Yield has been restated for 2009 in accordance with FFFS 2009:12. Reported key ratios relating to yield for 2006–2008 are calculated in accordance with FFFS 2008:26.

# Folksam Life

Folksam Life operates a life insurance business with focus on the Swedish market. The company offers occupational pensions and pension savings to individuals directly or through collaborations as well as group insurance and other personal risk insurance. Operations are divided into Folksam and KP Pension & Försäkring, name-changed to Liv 2. The operational activities are carried out in three business segments, Partner, Collective based business and Private, which are supported by common group functions.

## Results and market

### Premium income and market share

Premium income, after reinsurance, in the parent company rose by 12 per cent to SEK 7 130 million (6 339). The main increase relates to a 21 per cent increase in defined benefit traditional insurance SEK 3 701 million (3 047). Above all, the increase was achieved through new partnerships. The premiums for defined benefit occupational pension schemes increased by SEK 278 million, mainly attributable to redemptions from Konsumentkooperationens pensionsstiftelse. Group insurance premiums dropped by 6 per cent which was significantly lower compared to 2010.

In traditional life insurance premiums increased in 2011. This change in trends is largely due to the fact that savers tend to choose traditional life insurance when there is uncertainty in the market. Another explanation is that the media attention during the autumn increased

awareness among savers of the importance of choosing a financially strong insurance company. Both Folksam Liv and KPA Pension belong to the absolute strongest alternatives.

Customised group life, and also illness and accident insurance are offered to trade unions, companies and organisations, for example, different sport club federations. At the beginning of the year, group insurance for pensioner organisations was changed. After talks with affected organisations, a new offer was launched in which customers can choose between three different types of coverage and premium levels.

The total market share of Folksam Life with subsidiaries increased during 2011 to 11,1 (9,4) per cent measured as the total premium income for insurance open to competition according to Insurance Sweden. Folksam is thus the second largest life insurance company after Skandia. In unit-linked insurance Folksam's market share was 12,6 (9,2) per cent and in other life insurance 10,3 (9,5) per cent. Insurance capital moved from other insurance companies as well as indexation on paid-up policies counts as premium income in the statistics.

### Results

Earnings before appropriations and tax for 2011 in the consolidated group was SEK -9 371 million (8 948), and in the parent company Folksam Life SEK -10 125 million (8 885). The change in earnings is primarily attributed to the strong increase in technical provisions due to the historically low market interest rates.

The life insurance provisions increased by SEK 18 194 million (-382) in 2011 as a result of low long-term interest rates. In group life insurance, claims declined

after a change in how provisions are calculated based on claims history, which resulted in a settlement gain of SEK 964 million. In group life insurance a provision has been made with SEK 752 million to the fund for allocated policy bonuses.

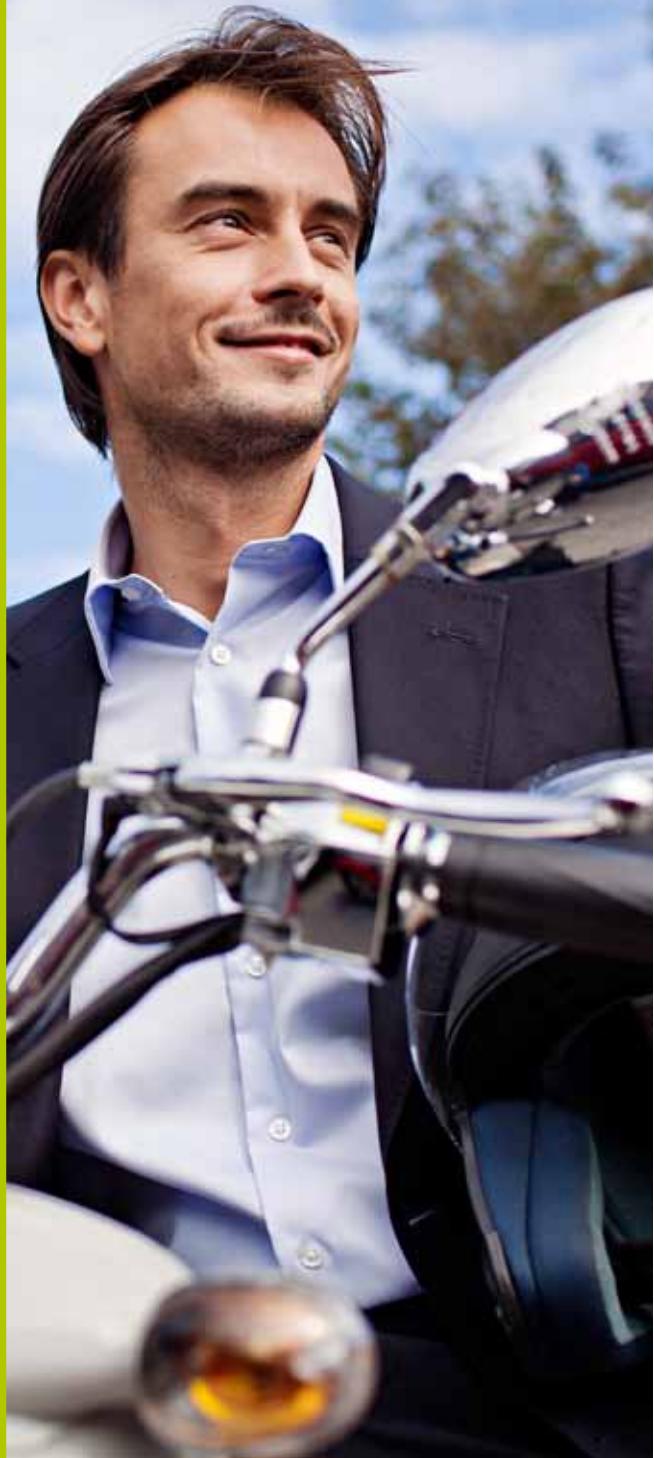
Operating costs increased and amounted to SEK -623 million (549). The acquisition costs increased by SEK 80 million due to increased sales. The costs of pension provisions in KP Pensionsstiftelsen which holds the employees' pensions, was SEK 24 million higher than in 2010, a year with an exceptionally good return on assets. The operating costs were also increased by the current adjustments to Solvency 2. Operating costs are also affected in a positive manner by the continuing efforts to develop and improve organisation and processes. The administrative cost ratio for the savings business was 0,4 (0,4) per cent.

### Return

The total return on assets was 6,5 (8,7) per cent. Folksam has, for several years and in different market conditions, shown that the company is able to manage risks and opportunities in asset management. This creates long-term good returns on assets and thus safe pensions. The yield was mainly generated by the strong performance in interest-bearing assets and in property. Over the last 5-year period the total return on assets has been on average 5,6 (5,1) per cent.

### Financial position

Despite a reduction of 24 percentage units, the solvency ratio shows continued sound financial strength and was 134 (158) per cent at the end of the year. The solvency ratio describes how well a life insurance company honours guaranteed commitments made to policy



holders. Put simply, for every 100 SEK guaranteed to the customer, there are assets worth 134 SEK. Folksam Life's strong solvency is also a prerequisite for being able to provide a good future return on assets.

The collective consolidation at the end of the year was 116 (116) per cent for defined contribution policies and 151 (146) per cent for defined benefit policies. The collective consolidation describes the relationship between the company assets and the amount allocated to the customers. The allocation includes both guaranteed and non-guaranteed obligations.

From 1st of November 2011 the bonus interest rate to policy holders was lowered from 6 per cent to 4.5 per cent in Folksam Liv1. In the portfolio Liv2 (formerly KP Pension & Försäkring) the bonus interest rate remained unchanged at 11 per cent. The bonus interest rate is reviewed periodically, taking into account the impact of the financial market on the collective consolidation.

In 2011, pension supplements remained unchanged while the paid-up policies were indexed by 1,42 per cent. The decision is to increase the pension supplements with 2.73 per cent and paid-up policies with 2,89 per cent in 2012. The indexation of pension supplements is now in line with the overall level of inflation.

## Subsidiaries

### Consolidated subsidiaries

Folksam LO Fondförsäkring Aktiebolag (publ), with its subsidiary Folksam LO Fond Aktiebolag (publ), is 51 per cent owned by Folksam Life and 49 per cent owned by LO Fondförsäkringshandelsbolag. The position as the market leader in unit link insurance within the contracted SAF-LO market has been further strengthened during the year. The work in sales and transferring of insurance capital from other insurance companies within the SAF-LO area increased

significantly during the year. The amount of transferred capital was SEK 1 972 million. The number of customers in other contracted pension markets remained stable during 2011. Total paid-in premiums including moved-in capital in 2011 was SEK 4 889 million (3 204). The number of policies within the contracted pension market was 694 421 (644 400) as per 31 December 2011, of which the largest contracted pension market SAF-LO contributed 593 746 (516 600). Other contracted pension markets include KAP-KL, ITP-K, PA-KFS, PA03.

Folksam Fondförsäkring Aktiebolag (publ) ("Folksam Fondförsäkring") is a wholly-owned subsidiary that offers unit link insurance products. The selection of fund managers and funds are reviewed regularly in a selection process. In addition to the guided range of 70 funds and the fund selector Trend, Folksam Fondförsäkring also launched another fund selector service at the end of the year in order to further assist policy holders. The fund selector Multi invests in high-performing absolute return funds which are traded daily and have no correlation with each other. The fund portfolio is actively managed and fund managers who do not show optimal performance are continuously replaced with more attractive options.

In 2010 Folksam Fondförsäkring reached an agreement with Försäkringsaktiebolaget Skandia to acquire a insurance portfolio linked to funds managed by Svenska Lärarfonder AB, which was acquired on 2 January 2012. At the same time the company assumed ownership of Svenska Lärarfonder AB which was acquired from Svenska Lärarförförsäkringar.

Folksam Fondförsäkring divested its unit link insurance portfolio, tied to Brummer, to Brummer Life in February 2011.

The company's premium income before reinsurance has declined slightly compared with the previous year

and was SEK 11 million (12). Fund assets where the risk is carried by the policy holders amounted to SEK 15 852 million (18 014) at the end of the year and payments from policy holders declined to SEK 3 273 million (5 220).

The Supreme Administrative Court ruled in June 2011 that fund rebates from fund managers are not subject to ordinary company tax, and that it is correct to assign this revenue to activities subject to yield tax, as Folksam Fondförsäkring and Folksam-LO Fondförsäkring have done.

Reda Pensionsadministration AB is a subsidiary providing services mainly to external principals and the turnover was SEK 66,9 million (69,3). The administrative agreement with SPP Livförsäkrings AB was terminated in 2010 and will end in December 2012.

#### Non-consolidated subsidiaries

Förenade Liv Gruppförsäkring AB (publ) ("Förenade Liv") is a life insurance company operating in voluntary group life insurance, health insurance, group illness insurance, premium exemption, group health care insurance, group survivors' insurance, critical illness, and group accident insurance.

Förenade Liv exhibited a 2011 result, before appropriations and tax, of SEK 219 million (197). The premium income before reinsurance rose to SEK 841 million (834). During 2011, Förenade Liv focused on increasing the premium volume, increasing membership and increasing the number of insurance products per person in existing agreements. In addition, the company increased new sales of corporate group insurance contracts.

The KPA group, with the brand KPA Pension, offers traditional pension insurance, unit-linked insurance, life insurance, pension administration, and pension election central and asset management with high ethical standards. KPA Pension is the pension market leader in the municipality sector and customers are both employers and employees. All county councils and approximately 80 percent of Sweden's municipalities have contracts with companies in KPA Pension.

KPA Pension's total premium income was SEK 7,6 billion (7,3), which was a new record for KPA Pension's insurance business. The amount included approximately SEK 6,7 billion (6,3) BSEK of premiums from

traditional pension schemes. Total premiums for the individual choice scheme with KAP-KL, where KPA Pensionsförsäkring AB (publ) is the safe option for those who do not actively choose their pension manager, were SEK 5,6 billion (5,4).

As KPA Livförsäkrings solvency remained high, it has been possible to continue the reduction of premiums. From 1 January 2012, the premium is 0,20 per cent of the sum of wages. Through the reversal of provisions for allocated bonuses, SEK 171 million, the premium to be invoiced will be 0,10 per cent of the sum of wages in 2012.

In 2011, the total return on assets was 5,5 (8,3) per cent. The solvency ratio remained strong and amounted to 143 (186) per cent. The reduction is entirely attributed to the sharp drop in market interest rates which resulted in sharply increased provisions for future pension payments.

#### Folksam Life total return, parent company

SEKm	Opening market value 2011-01-01	Closing market value 2011-12-31	Total return 2011 Mkr	Total return 2011 %	Total return 2010 %	Total return 2009 %	Total return 2008 %	Total return 2007 %
Interest-bearing investments	67 718	79 925	6 326	9,2	2,2	3,0	10,2	2,4
Equities	33 893	26 219	-3 719	-11,4	17,9	36,6	-35,0	0,4
Alternative investments	993	1 838	83	5,0	-3,7	-10,2	-8,2	9,0
Properties	8 391	9 110	802	9,5	5,7	1,2	1,0	18,0
Strategic holdings	2 804	2 710	22	0,7	0,7	-0,4	-0,7	-0,8
Hedging instruments	1 127	1 144	3913	188,1	n/a	n/a	n/a	n/a
<b>Total</b>	<b>114 927</b>	<b>120 946</b>	<b>7 427</b>	<b>6,5</b>	<b>8,7</b>	<b>10,3</b>	<b>0,9</b>	<b>1,8</b>

## Five-year summary and key ratios, SEKm

Group	2011	2010	2009 <sup>2)</sup>	2008	2007 <sup>1)</sup>
<b>Results</b>					
Earned premiums for own account	694	700	723	459	15
Earned premiums for own account	6 473	5 672	6 120	6 856	4 833
Return on capital, net	3 625	14 609	17 952	-8 064	1 125
Claims incurred, net	-4 530	-5 358	-5 627	-4 849	-3 539
Change in life insurance provisions	-13 917	-4 528	4 503	-8 542	2 686
Operating expenses in insurance operation	-996	-924	-951	-970	-724
Bonuses and rebates, net	-932	-603	-261	-12	-8
<b>Profit from insurance operation</b>	<b>-8 963</b>	<b>9 268</b>	<b>22 459</b>	<b>-15 122</b>	<b>4 597</b>
Remaining return on capital	106	308	250	187	176
Other	-514	-628	-543	1	0
<b>Profit for year before tax</b>	<b>-9 371</b>	<b>8 948</b>	<b>22 166</b>	<b>-14 934</b>	<b>4 772</b>
<b>Financial position</b>					
Investments at fair value	160 414	157 640	137 004	119 732	98 513
Actuarial provisions	135 271	118 348	107 114	106 431	72 597
<b>Solvency capital</b>					
Taxed equity	30 020	41 478	34 385	14 191	19 707
Deferred tax liability	666	576	416	293	239
<b>Surplus value in investments</b>					
Investments in Group companies	207	207	207	304	454
Other financial investments	-	-	-	-	-
<b>Total solvency capital</b>	<b>30 892</b>	<b>42 261</b>	<b>35 008</b>	<b>14 788</b>	<b>20 400</b>

Group (forts)	2011	2010	2009 <sup>2)</sup>	2008	2007 <sup>1)</sup>
<b>Key ratios</b>					
<b>Profit from asset management</b>					
Yield, per cent 3)	2,4	1,9	2,3	3,7	2,6
Total return, per cent	6,5	8,8	10,6	1,1	2,0
<b>Financial position</b>					
Consolidation ratio, per cent 3)	171	24	21	18	-
<b>Non-consolidated subsidiaries</b>					
Management expense ratio					Collective consolidation level per cent
Förenade Liv Gruppförsäkring AB	1,6 %	3,0%	5,4%	-	
KPA Livförsäkring AB	0,5%	3,3%	4,8%	222	
KPA Pensionsförsäkring AB (publ)	0,3%	3,0%	5,6%	101	

<sup>1)</sup> Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

<sup>2)</sup> Restated owing to transition to full IFRS in consolidated reporting.

<sup>3)</sup> The yield and consolidation ratio have been restated in accordance with FFFS 2009:12.

## Five-year summary and key ratios, SEKm

Parent company	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>	Parent company (continued)	2011	2010	2009 <sup>1)</sup>	2008	2007 <sup>2)</sup>
<b>Results</b>						Collective solvency capital	19 713	18 600	14 944	7 335	3 216
Earned premiums for own account	694	700	723	459	15	Capital base	30 081	42 562	35 453	15 061	15 702
Earned premiums for own account	6 436	5 639	6 093	6 684	4 644	Required solvency margin	4 062	3 387	3 388	3 909	2 533
Net return on capital in insurance operations	6 977	8 941	10 314	677	894	Capital base for the insurance group	30 002	42 062	34 874	14 654	15 089
Claims incurred, net	-4 487	-5 325	-5 608	-4 831	-3 522	Required solvency margin for the insurance group	5 970	4 913	4 921	5 465	3 831
Change in life insurance provisions	-18 184	382	11 998	-17 338	2 916	<b>Key ratios<sup>3)</sup></b>					
Operating expenses in insurance operation	-623	-549	-603	-670	-504	Non-life insurance operation					
Bonuses and rebates, net	-932	-603	-261	-12	-8	Claims ratio	-101	83	70	51	-
<b>Actuarial result from insurance operations</b>	<b>-10 125</b>	<b>8 885</b>	<b>22 650</b>	<b>-15 046</b>	<b>4 415</b>	Operating expense ratio	10	10	9	17	-
Profit before appropriations and tax	-10 125	8 885	22 650	-15 046	4 415	Total expense ratio	-91	93	79	68	-
<b>Financial position</b>						Life insurance operation					
Investments at fair value	116 217	112 675	102 978	96 717	72 509	Management expense ratio <sup>4)</sup>	0,5	0,5	0,6	0,8	0,8
Actuarial provisions	91 538	73 375	72 896	84 497	46 031	Management expense ratio for investment products <sup>4)</sup>	0,4	0,4	0,5	0,5	0,5
<b>Solvency capital</b>						Acquisition expense ratio	3,3	2,4	2,3	2,6	2,8
Equity	26 233	38 831	32 208	12 030	19 279	Administrative cost ratio for investment products	0,3	0,4	0,4	0,4	0,4
Untaxed reserves	1 782	1 492	1 238	902	625	Administrative cost ratio for risk products	6,6	6,4	5,8	8,5	8,6
Deferred tax liability	193	163	86	38	67	<b>Profit from asset management</b>					
<b>Surplus value in investments</b>						Yield, per cent <sup>5)</sup>	3,2	2,6	2,9	3,8	3,6
Investments in Group companies	2 379	2 085	1 887	2 101	625	Total return, per cent	6,5	8,7	10,3	0,9	1,8
Other financial investments	-	-	-	-	-	<b>Financial position</b>					
Total surplus value	2 379	2 085	1 887	2 101	625	Consolidation ratio, per cent <sup>5)</sup>	171	24	21	18	-
<b>Total solvency capital</b>	<b>30 587</b>	<b>42 571</b>	<b>35 419</b>	<b>15 071</b>	<b>20 596</b>	Collective consolidation level, per cent					
						Retrospective reserve method	115,6	116,0	113,1	104,9	105,6
						Pension supplement method	150,9	146,4	139,3	126,0	-

<sup>1)</sup> Restated owing to provision for pensions and similar commitments. Previous years have not been restated with respect to this change of accounting policy.

<sup>2)</sup> Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

<sup>3)</sup> Restated with key ratios relating to the life insurance operation owing to reported non-life insurance. Reported total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return

<sup>4)</sup> Management expense ratio calculated in accordance with FFFS 2009:12. This ratio is calculated firstly for the life insurance operation and secondly for the investment products, excluding risk products.

<sup>5)</sup> The yield and consolidation ratio have been restated in accordance with FFFS 2009:12.

# Förenade Liv

Förenade Liv Gruppförsäkring AB is a life insurance company operating an insurance business according to mutual principles in voluntary group life insurance, health insurance, critical illness, premium exemption, group pension insurance and group accident insurance.

The business idea is to insure individuals through organisations and employers that represent white-collar employees. Insurance solutions are developed and offered in close liaison with other parties with the aim to provide helpful and quick assistance when it is most needed.

## Results and market

Förenade Liv showed a 2011 result before appropriations and tax of SEK 219 million (197). The company's underwriting result (excluding return on assets) was SEK 90 million (90). This year's positive outcome was a combination of a good return on assets and a strong

underwriting result. Premium income before reinsurance rose to SEK 840 million (834).

Förenade Liv is the market leader in group insurance for white-collar workers and has distribution agreements with nine out of sixteen trade unions and reaches over 90% of all TCO members. The corresponding figures in Saco show that the largest increase of members and the insured is in Lärarnas Riksförbund, where Förenade Liv is the insurance company. Förenade Liv maintains distribution agreements with a total of 5 out of 24 organised trade unions within Saco.

## Return on assets

The total return on assets in 2011 was 5,4 (5,2) per cent, equivalent to SEK 152 million (131). The main factor behind the total returns on assets is the company's strategic asset allocation, which is governed by the nature of the insurance liabilities and the company's risk tolerance. This year's yield is explained mainly by the fact that most of the investments were made in interest-bearing securities which, due to the fall in interest rates had good returns. The yield on shares has been negative. Equity exposure, which at the beginning of the year was approximately 25 per cent was reduced by the

end of the year to 24 per cent, primarily through share price depreciation. The currency exposure has been approximately 13 per cent during the year. The duration of the company's interest-bearing investments has, during most of the year, been between 4 and 5 years, and reduced by the end of the year to less than 4 years.

## Business activities in 2011

During 2011, Förenade Liv has made a number of decisions that will affect the company's future mission and methods. Förenade Liv has established which segments that should be given priority as liaison, and which target groups the company primarily should target within each segment. The company has also decided to establish an agent support desk and recruited a head of this function. Förenade Liv has completed a thorough clean-up and initiated a new development of the company's IT systems, creating greater flexibility in combination with efficient administration. In 2011, the company's goals were to increase premium volume, increase subscriptions and increase the number of insurance products per person in existing agreements. All of this has been completed successfully.

In addition, the company increased new sales of group insurance contracts to companies. Förenade Liv has also increased communications with the company's customers to increase brand awareness and to promote customers that are even more satisfied. The good result has helped Förenade Liv to renew and launch improved terms and conditions; Villkor 2012. This means that customers have been given a wider coverage in their insurances without any premium increase. The claim payouts will increase in the long term as a consequence of this decision. The company has also repaid SEK 21 million from the surplus fund to its customers during the year.

## Total return, parent company, SEKm

	Opening market value 2011-01-01	Closing market value 2011-12-31	Total return 2011 SEKm	Total return 2011 %	Total return 2010 %	Total return 2009 %
Interest-bearing investments	2 031	2 301	204	9,8 %	2,4 %	2,6 %
Equities	683	645	-64	- 9,2 %	13,8 %	29,6 %
Alternative investments	7	6	0	- 4,2 %	- 5,1 %	- 10,1 %
Currency	1	1	13	n/a	n/a	n/a
<b>Total</b>	<b>2 721</b>	<b>2 953</b>	<b>152</b>	<b>5,4 %</b>	<b>5,20 %</b>	<b>7,50 %</b>

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return.

## Five-year summary and key ratios, SEKm

	2011	2010	2009	2008	2007	Key ratios	2011	2010	2009	2008	2007
<b>Results</b>						<b>Non-life insurance operation</b>					
Earned premiums for own account (net)	323 032	328 223	294 499	269 101	279 481	Claims ratio	75	47	79	81	87
Earned premiums for own account (net)	345 048	351 224	335 859	335 209	313 838	Operating expense ratio *	11 (18)	12 (14)	11 (14)	5 (12)	8 (11)
Net return on capital in insurance operations	128 781	107 004	144 633	23 883	- 5 656	Total expense ratio *	86 (93)	59 (61)	90 (93)	86 (93)	95 (98)
Claims incurred, net	- 508 395	- 447 064	- 514 111	- 468 835	- 508 509	<b>Life insurance operation</b>					
Change in life insurance provisions	9 030	12 020	10 030	10 020	12 050	Management expense ratio *	1,6 (5,1)	1,5 (4,3)	1,8 (4,4)	2,5 (4,7)	3,6 (4,8)
Operating expenses in insurance operation	- 18 062	- 16 467	- 24 499	- 32 095	- 52 596	Administrative cost ratio, per cent	13,9	10,7	10,2	10,8	12,4
Bonuses and rebates, net	- 60 000	- 140 000	-	-	- 11						
Other	-	2 226	-	-	-						
<b>Actuarial result from insurance operations</b>	<b>219 434</b>	<b>197 166</b>	<b>246 411</b>	<b>137 283</b>	<b>38 597</b>	<b>Profit from asset management</b>					
<b>Profit for the year</b>	<b>128 670</b>	<b>114 941</b>	<b>142 455</b>	<b>80 578</b>	<b>- 5 252</b>	Yield, per cent	3,0	2,8	2,7	4,0	3,4
<b>Financial position</b>						Total return, per cent	5,4	5,2	7,5	2,4	1,7
Investments at fair value	2 828 922	2 632 395	2 369 693	2 055 745	1 955 636						
Actuarial provisions	1 857 097	1 782 209	1 632 827	1 513 307	1 529 032						
<b>Solvency capital:</b>											
Equity	996 287	867 617	757 139	615 104	534 526						
Untaxed reserves	234 739	189 078	146 517	94 205	69 800						
Subordinated liabilities	-	-	-	-	-						
Deferred tax	26 528	16 417	8 585	-	- 18 018						
<b>Total solvency capital</b>	<b>1 257 554</b>	<b>1 073 112</b>	<b>912 241</b>	<b>709 309</b>	<b>586 308</b>						
Capital base, SEKm	1 258	1 073	913	709	604						
Required solvency margin, SEKm	160	156	138	152	138						

\* Key figures in brackets have been calculated exclusive of income from operating costs, mainly consisting of policy dividends from reinsurers, to be comparable with previous years.

Key figures regarding dividend yield are reported for 2007–2009 in accordance with FFFS 2008:26 (FFFS is the Swedish Financial Supervisory Authority's regulatory code). Key figures for total yield are reported for 2007–2009 in accordance with Insurance Sweden's recommendation for reporting total yield.

\*\* As of 2010, the consolidation ratio has only been calculated for the non-life insurance business.

The figures in brackets have been calculated in accordance with earlier principles in order to be comparable.

# KPA Pension

*The KPA group, with the trademark KPA Pension, offers traditional pension insurance, unit-linked insurance, life insurance, pension administration, pension election central and asset management with high ethical standards.*

*KPA Pension is the pensions market leader in the municipality sector and customers are both employers and employees. All county councils and approximately 80 percent of Sweden's municipalities have contracts with companies in KPA Pension. More than one million employees have some type of pension in KPA Pension. We combine secure pensions with ethical investments.*

# KPA Pensionsförsäkring

KPA Pensionsförsäkring's business is a natural part of the complete KPA Pension's offering to employers, employees and pensioners. The company provides end-to-end insurance solutions for employers' pension obligations. Most of the business is in the employees' individual choice, i.e. defined contribution pensions under several collective agreements. The other part is defined benefit pensions which are managed under KAP-KL, and PA-KFS.

KPA Pensionsförsäkring AB also offers personal traditional pension insurance and personal unit-linked insurance as well as alternative pension solutions for employers.

## Results

The Group's profit before tax was SEK -8 406 million (7 229) and the parent company's pre-tax profit was SEK -8 199 million (7 443). The result is, for the most part, due to lower market interest rates.

The premium income for 2011 was SEK 6 664 million (6 335), of which premiums in the KAP-KL area constitutes approximately SEK 5 262 million (4 968).

Operating costs in the insurance business increased by SEK 37 million and stood at SEK 244 million (207). Operating expenses in proportion to premium income

(operating cost ratio) amounted to 3.7 (3.3) per cent, partly as a result of one-off expenses in connection with a change of pension terms for employees and increased marketing efforts.

## Assets under management

KPA Pension manages approximately SEK 77 billion of assets in the traditional pension schemes at the end of 2011, an increase of SEK 7 billion compared with the previous year. A further amount of approximately SEK 4.5 billion was saved in KPA Pension's ethical funds.

## Return on assets

The total return on the company's assets in 2011 was 5.6 (8.2) per cent, equivalent to SEK 4 110 million (5 086). The main factor behind the size of the total return on assets is the company's strategic asset allocation, which is governed by the nature of the insurance liabilities and the company's risk tolerance. This year's yield is explained mainly by the fact that most of the investments were made in interest-bearing securities and interest rate derivatives which, due to the fall in interest rates had good returns. The yield on shares has been negative. Equity exposure, which at the beginning of the year was approximately 41 per cent, was reduced during the autumn primarily through share price depreciation but also through active reduction of exposure to shares. At the end of the year the exposure to shares was limited to approximately 28 per cent. Currency exposure has increased slightly during the year. The duration of the company's interest-bearing investments increased by approximately 1 year during 2011.

## Allocated asset return

Since 1st July 2004, KPA Pensionsförsäkring allocates a yield interest rate, both positive and negative-yield,

quarterly in arrears to its policy holders. A consequence of the method is that the level of collective consolidation in defined premium traditional pension always is approximately 100 per cent. The yield rate for 2011 was 5.5 (8.3) per cent.

### Strong solvency

In recent years the company's finances, as measured by solvency ratio, has strengthened considerably and at the end of 2010 it was 186 per cent. In 2011, the sharp market decline in the long-term interest rates required an increase in provisions for future pension payments by SEK 14 billion. Thus, solvency deteriorated. At end of December 2011, the solvency ratio was 143 per cent. This means that KPA Pensionsförsäkring had 43 percent more assets than the company needed in order to pay guaranteed pension policies. As a result of the decline in market interest rates, it was decided in 2011 to reduce the guaranteed interest rate from 1 January 2012 by 0.75 percentage units.

### The collective consolidation

Up to 30 June 2004, KPA Pensionsförsäkring AB has had a bonus interest rate based on an assumption on future yield. As the first non-dividend yielding insurance company, KPA introduced a new method of allocating the return on assets with effect from 1 July 2004. Both positive and negative returns are allocated quarterly in arrears to policyholders within the defined contribution traditional pension scheme which means that the level of consolidation should be 100 per cent at the end of each quarter. This does not affect the pension amount which is guaranteed. The collective consolidation level in defined contribution policies amounted to 100 per cent, and for defined benefit policies to 108 pr cent at 31 December 2011.

### Capital Base

The legal requirement of KPA Pensionsförsäkring's capital base (the required solvency margin) was SEK 2 294 million on 31 December 2011. The actual capital base at that time amounted to SEK 23 008 million and thus exceeded the regulatory requirement by SEK 20 715 million. The solvency ratio was 10.0.

### Total return, parent company, SEKm

	Opening market value SEKm 2011-01-01	Closing market value SEKm 2011-12-31	Total return 2011 SEKm	Total return 2011 %	Total return 2010 %	Total return 2009 %	Total return 2008 %
Interest-bearing	41 145	51 975	4 519	10,1%	2,1%	2,8%	9,5%
Equities	23 922	20 778	- 3 131	- 12,4%	13,7%	32,6%	- 30,7%
Alternative investments	779	744	19	3,6	- 4,1%	- 12,1%	3,7%
Properties	2 251	2 759	84	3,2	8,5%	- 7,2%	- 1,1
Hedging instruments	591	616	2 619	n/a	n/a	n/a	n/a
<b>Total</b>	<b>68 687</b>	<b>76 871</b>	<b>4 110</b>	<b>5,6%</b>	<b>8,2%</b>	<b>12,4%</b>	<b>6,3%</b>

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return. Note 34 of the complete annual accounts describes how the total return table is linked to the income statement and balance sheet.



## Five-year summary, SEKm

Group	2011	2010	2009	2008	2007
<b>Results *</b>					
Earned premiums	6 664 293	6 334 703	6 231 852	5 996 306	5 993 284
Net return on capital in insurance operations	3 951 769	4 913 567	6 468 829	2 884 032	-1 356 340
Claims incurred	-1 547 055	-1 271 794	-1 035 952	-849 818	-693 900
Actuarial result from insurance operations	-8 426 031	7 210 668	15 135 254	-2 854 890	2 908 025
Profit for the year	-8 465 092	7 214 678	14 931 504	-3 115 325	2 704 132

\* In 2011-2009 the figures are in accordance with full IFRS.

In 2008-2007 the figures are in accordance with statutory IFRS.

Financial position at 31 December *	2011	2010	2009	2008	2007
Investment assets (stated at fair value)	78 881 133	70 781 082	62 543 984	46 520 360	46 675 508
Actuarial provisions	58 568 323	41 481 343	38 396 991	40 920 503	27 535 641
Solvency capital:					
Share capital	300 000	300 000	300 000	300 000	300 000
Other equity	22 677 848	31 591 523	24 491 414	9 742 420	12 911 559
Total solvency capital	22 977 848	31 891 523	24 791 414	10 042 420	13 211 559
Collective consolidation	1 016 790	643 444	483 960	869 014	477 451
Collective consolidation level, in per cent	101	101	101	102	101
Capital base	22 977 848	31 891 523	24 791 414	10 042 420	13 211 559
Required solvency margin	2 293 505	1 608 453	1 474 343	1 650 434	1 201 360
Solvency ratio	10,0	19,8	16,8	6,1	11,0

\* In 2011-2009 the figures are in accordance with full IFRS.

In 2008-2007 the figures are in accordance with statutory IFRS.

Parent company, SEKm	2011	2010	2009	2008	2007
<b>Results *</b>					
Earned premiums	6 664 293	6 334 703	6 231 852	5 996 296	5 993 284
Net return on capital in insurance operations	3 969 370	5 021 066	6 415 203	2 922 690	-1 361 039
Claims incurred	-1 547 055	-1 271 794	-1 035 952	-849 818	-693 900
Actuarial result from insurance operations	-8 219 427	7 424 345	15 086 126	-2 850 172	2 895 315
Profit for the year	-8 473 393	7 180 217	14 894 296	-3 104 088	2 693 210

Financial position at 31 December *	2011	2010	2009	2008	2007
Investment assets (stated at fair value)	78 899 045	70 870 920	62 591 044	46 548 650	46 670 856
Actuarial provisions	58 568 323	41 481 343	38 396 991	40 920 503	27 535 641
Solvency capital:					
Share capital	300 000	300 000	300 000	300 000	300 000
Other equity	22 708 251	31 579 559	24 531 046	9 739 296	12 900 637
Total solvency capital	23 008 251	31 879 559	24 831 046	10 039 296	13 200 637
Collective consolidation	1 016 790	643 444	483 960	869 014	477 451
Collective consolidation level, in per cent	101	101	101	102	101
Capital base	23 008 251	31 879 559	24 836 087	10 044 317	13 200 637
Required solvency margin	2 293 505	1 608 453	1 474 343	1 650 434	1 201 360
Solvency ratio	10,0	19,8	16,8	6,1	11,0

## Key ratios

Moderföretaget	2011	2010	2009	2008	2007
Management expense ratio, %	0,3	0,3	0,4	0,5	0,6
Yield, % *	3,0	2,5	3,2	3,3	3,5
Total return, % **	5,6	8,2	12,4	6,3	-3,0

\* Reported key ratios relating to yield are reported for 2007-2008 in accordance with FFFS 2006:17 and for 2009-2011 in accordance with FFFS 2009:12.

\*\* Reported total return is reported in accordance with the Swedish Insurance Federation's recommendation for reporting total return.

Yield and total return relate to traditional life insurance.

# KPA Livförsäkring

Since 1 January 1963 KPA Livförsäkring AB insures employees in municipalities through a life insurance (TGL-KL), which is a group insurance based on a central collective agreement between the organisations for employers and employees within the municipality sector.

As a complement to the staff group life insurance, KPA also underwrites an insurance (TGL-FO) that can be subscribed to if employees resign their municipal employment without having access to other insurance. The insurance may be subscribed to by either the employee himself, or the employer, and is valid until the age of 67. For customers above the age of 67, a life-long group life and accident insurance is offered in collaboration with Folksam. Municipalities and regional governments also have the possibility to subscribe to a group life insurance for elected representatives (GL-F) in KPA Livförsäkring AB. The insurance is optional and may be subscribed for those who are working at least 20 per cent of a full-time employment.

## Results

Profit before appropriations and taxes was SEK 316 million (686). This year's result was SEK 197 million (416). The main reason for the high profit is a change in mortality assumptions which releases SEK 556 million from the life insurance provisions and a SEK 200 million higher provision for future claims costs.

The premium income (net of premium tax deductions) was SEK 499 million (482), including reversals from the fund of bonuses allocated to insurance policies. Operating costs increased by SEK 6 million to SEK 24 million (18), mainly as a result of one-off expenses in connection with a change of pension agreement for employees as well as increased marketing efforts.

## Return on assets

The total return on assets in 2011 was 4.8 (4.5) per cent, corresponding to SEK 219 million (205). The main explanation for the return on assets is the company's strategic asset allocation, which is governed by the nature of the insurance liabilities and the company's risk tolerance. This year's yield is explained mainly by the fact that most of the investments were made in interest-bearing securities which, as a result of falling interest rates, have had good returns. The yield on shares have been negative. Equity exposure, which at the beginning of the year was just over 24 per cent, was reduced during the autumn primarily through share price depreciation. At the end of the year, the exposure to shares was limited to just under 23 per cent. Currency exposure was approximately 12 per cent during the year. The duration of the company's interest-bearing investments was more than 4 years at the beginning of the year, but was reduced to just over 3 years at the end of the year.



## Five-year summary, SEKt

Parent company KPA Liv*, **	2011	2010	2009	2008	2007
<b>Results *</b>					
Earned premiums	499 210	482 395	462 120	518 335	566 766
Net return on capital in insurance operations	211 805	203 123	346 452	97 074	41 578
Change in life insurance provisions	158 025	385 364	-395 803	-66 459	26 601
Claims incurred	-358 747	-366 775	-403 327	-411 429	-383 834
Actuarial result from insurance operations	315 624	685 904	-11 975	110 063	214 433
Profit for the year	196 648	415 995	0	-16 878	101 250
<b>Financial position at 31 December *</b>					
	2011	2010	2009	2008	2007
Investment assets (stated at fair value)	4 555 645	4 276 059	4 216 089	3 892 326	3 904 739
Actuarial provisions	2 109 985	2 268 010	2 653 374	2 257 571	2 191 112
Solvency capital	2 611 770	2 358 496	1 765 946	1 777 921	1 779 341
Deferred tax	46 794	38 683	-19 672	-7 697	109 444
Collective consolidation	2 564 976	2 319 813	1 784 898	1 784 898	1 669 178
Collective consolidation level, in per cent	222	202	167	179	176
Capital base	2 564 976	2 319 813	1 785 618	1 785 618	1 669 898
Capital base	25 229 457	33 855 602	26 277 935	11 486 165	14 913 170
Required solvency margin	2 667 025	1 983 911	1 865 602	2 026 372	1 625 580
<b>Key ratios</b>					
Parent company KPA Liv	2011	2010	2009	2008	2007
Management expense ratio, %	0,5	0,4	0,5	1,0	1,0
Yield, %*	3,3	3,0	3,0	3,8	3,7
Total return, %**	4,8	4,5	8,2	2,6	1,1
Solvency ratio	6,9	6,2	4,6	4,8	4,3

\* Reported key ratios relating to yield are reported for 2007-2008 in accordance with FFFS 2006:17 and for 2009-2011 in accordance with FFFS 2009:12.

\*\* Reported total return is reported in accordance with the Swedish Insurance Federation's recommendation for reporting total return.

# Boards and Group Management





## Folksam General

### Top row, from left

Ulf Andersson  
Sten-Åke Karlsson  
Metta Fjelkner  
Hans-Olof Nilsson, deputy member  
Christer Pettersson, employee representative  
Leif Linde  
Ann-Louise Andersson, employee representative

Göran Lindblå, vice chairman  
Bengt Olsson, vice chairman

### Bottom row, from left

Leif Nordmark, deputy member  
Mona Hilbertson, employee representative  
Björn Hartvigsson, deputy member  
Kerstin Kujala, employee representative

Ella Niia

Erika Andersson, employee representative

Wanja Lundby-Wedin, Chair

Annika Strandhäll

Carina Malmer

Karin Matsson Weijber

Annelie Nordström



## Folksam Life

### Top row, from left

Thomas Eriksson,  
Susanna Gideonsson  
Johnny Capor  
Dag Andersson, suppleant  
Hans Tilly  
Jan Rudén, vice chairman  
Anders L Johansson, employee representative

Kjell Ahlberg, deputy member  
Sture Nordh, vice chairman

### Bottom row, from left

Roger Westin, employee representative  
Sune Dahlqvist  
Lotta Andersson, employee representative  
Eva Quist

Maj-Britt Johansson-Lindfors

Nina Jarlbeck, Chair  
Eva-Lis Sirén  
Doris Forsell Gustafsson, deputy member  
Börje Enander, employee representative  
Anita Modin



## Förenade Liv

### Top row, from left

Stefan Holm, vice chairman

Niklas Hjert,

Kristian Sihlén, employee representative

Eva-Lotta Nilsson

Pia Carlsson-Thörnqvist

### Bottom row, from left

Annette Carnhede,

Siewerth Stegdal, employee representative

Anders Sundström, Chair

Git Claesson-Pipping

Lars-Erik Klason

### Not pictured

Lars Bonny Ramstedt

# KPA

## Top row, from left

Niklas Gillhög, employee representative  
Anders Knape, vice chairman  
Henrik Persson, employee representative  
Håkan Sörman

## Bottom row, from left

Maria Adam, employee representative  
Catrina Ingelstam  
Anders Sundström, Chair  
Ilmar Reepalu  
Elisabeth Sasse

## Not pictured

Pia Carlsson-Thörnqvist





## Group Management

### Top row, from left

**Gunnar Fröderberg**,  
CIO, born 1953, employed since 2008,  
in current position since 2008

**Stefan Holm**  
Head of Partner BA, born 1963, employed since 1982,  
in current position since 2008

**Tomas Norderheim**  
Deputy CEO, Head of CEO Staff, born 1955,  
employed since 1987, in current position since 1998

**Anders Sundström**  
President and CEO, born 1952,  
employed in current position since 2004

### Daniel Eriksson

Head of Product, born 1969, employed since 2005,  
in current position since 2008

### Bottom row, from left

**AnnKristine Wuopio-Mogestedt**  
Head of Claims, born 1961, employed since 1988,  
in current position since 2008

**Pia Carlsson Thörnqvist**  
Head of Communications, born 1964,  
employed since 1982, in current position since 2008

**Torbjörn Eckerdal**  
Head of Private BA, born 1958, employed since 1985,  
in current position since 2008

### Catrina Ingelstam

CFO, born 1961,  
employed since 2009, in current position since 2009

### Elisabeth Sasse

Head of Collectively Agreed Business BA, born 1966,  
employed since 2011, in current position since 2011

### Harriet Pontán

**Head of HR**, born 1953, employed since 2005,  
in current position since 2005

# Glossary

## **Bonus interest**

Insurance companies may distribute surpluses to their customers. The bonus interest is not guaranteed, and the insurance company can reclaim that part of the surplus that exceeds the guaranteed rate, if management is not going as well as expected.

## **Capital base**

Equivalent to equity in the balance sheet in life insurance companies.

## **Claim inflation**

Claim inflation, the increase in the average cost of claim a non-life insurance company incurs. Claim inflation normally differs substantially from ordinary inflation, as non-life insurance costs include costs of tradespeople, purchases of new televisions and similar items, depending on the type of insurance.

## **Claims ratio, non-life insurance**

The ratio between claims incurred and earned premiums, expressed as a percentage.

## **Collective consolidation ratio**

The ratio between asset values and the company's total commitment.

## **Derivative**

Financial instrument whose growth in value depends on the underlying security or commodity.

## **Duration**

Term, generally how long an insurance policy applies for.

## **Management expense ratio**

Operating expenses as a proportion (%) of assets under management (investment assets). Shows what proportion of all investment is used to cover the insurance company's expenses.

## **Mutual insurance company**

In a mutual insurance company, the customers are owners and all surpluses accrue to the customers/investors. In the case of deficits, the pension assets of the pension investors are reduced by claw-back/relocation.

## **Operating expenses, insurance**

Comprises expenses for marketing, sales, management and administration.

## **Operating expense ratio**

Operating expenses as a proportion (%) of earned premiums.

Shows what proportion of investors' premiums is used to cover the insurance company's expenses.

## **Rate of return**

Rate at which interest accumulates on the insured's investments (pension assets). KPA Pension distributes the actual rate of return on the assets directly to the customers' insurance policies after each quarter.

## **Solvency capital**

The capital required to undertake insurance activities under applicable rules.

## **Solvency factor**

The ratio between capital base and solvency margin.

## **Solvency margin**

The lowest level, calculated on the basis of the nature and scope of the operation, to which the capital base must amount under the Swedish Insurance Business Act.

## **Solvency ratio**

The ratio between the company's assets (less financial liabilities) and actuarial provisions made to cover future insurance obligations.

## **Total return**

The sum of direct return (after deduction of management expenses) and realised and unrealised changes in the value of investment assets.

**Folksam**

Postal address: SE-106 60 Stockholm, Sweden

Address for visitors: Bohusgatan 14

Tel: +46 (0)771-960 960

Fax: +46 (0)8-641 03 50

E-mail: [kundservice@folksam.se](mailto:kundservice@folksam.se)

**Full company name**

The Folksam group consists of two insurance groups in which Folksam ömsesidig livförsäkring (Folksam Life) and Folksam ömsesidig sakförsäkring (Folksam General) are parent companies.

The head office of Folksam is located in Stockholm.

**For further information**

Christopher Casselblad, Investor Relations

Tel: +46 (0) 722-30 20 80

Folksam is a customer-owned company.

We offer insurance and pension investments.

Almost one in two Swedes is insured with Folksam and we are one of Sweden's biggest asset managers.

Our vision is that people should feel secure in a sustainable world.

[folksam.se](http://folksam.se)