Annual Report 2011

Folksam Mutual General Insurance

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Administration report

The Board and CEO of Folksam ömsesidig sakförsäkring, company registration number 502006-1619, (hereinafter Folksam General) hereby submit the annual accounts for 2011, the company's 104th year of operation.

Group structure

Folksam General is the parent company in a Group that includes the wholly owned insurance companies Svenska Konsumentförsäkringar AB (publ) and Tre Kronor Försäkring AB. Lists of all subsidiary companies and associated companies are provided in Notes 16-17.

Folksam

Folksam is a mutual company that provides popular insurance policies and pension investments. Our vision is for people to feel safe and sound in a sustainable world. Folksam comprises the two parent companies Folksam General and Folksam Liv (hereinafter Folksam Life) with subsidiaries. The companies and their relationships are reported under Note 48 Related party disclosures. The companies collaborate on distribution, administration and asset management to achieve economies of scale that benefit customers.

The Folksam brand was strengthened during 2011 and relations with existing customers and collaborative partners were developed. The second half of the year was characterized by low interest rates and unease on the financial markets. At the same time, relatively high rates of return during 2011 made positive contributions to both property and life insurance operations. KPA Pension and Folksam Life are among the leading companies within the industry.

Conventional insurance premium volumes grew robustly thanks to strong key ratios and broader reach, while growth in unit-linked insurance continued. The occupational pensions market including collective agreement pensions in respect of SAF-LO and KAP-KL comprise a significant proportion of policy volumes.

Growth in property and casualty insurance continued during the year. A sustained focus on regular customers in all areas, in particular vehicle insurance, together with distribution through bank collaborations contributed to a growing portfolio. A strong group insurance and personal risk insurance position is firmly established within Förenade Liv, KPA Liv and Folksam Life.

FOLKSAM, SEK million	2011	2010	2009	2008	2007
Premiums [1)]	33 182	30 496	29 356	27 158	23 977
Assets under management [2)]	285 106	268 170	242 646	211 401	183 957
of which Swedish equities	*49 931*	*57 759*	*44 486*	*22 856*	*35 015*
of which property	*15 900*	*14 353*	*12 297*	*13 753*	*8 263*
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 premiums earned in P&C insurance, premiums written in life insurance, and receipts and fees from unit-linked insurance investors.

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

3) Investment assets for which policyholders bear the risk.

4) The average number of employees has been calculated based on the number of paid working hours in relation to one man year, excluding agents.

Folksam General operations

Folksam General is a customer-owned company whose operations are run according to mutual principles, which means that surpluses arising from operations are returned to the policyholders in the form of bonuses.

Folksam General conducts property and casualty insurance business focused chiefly on the Swedish market. The company offers a full range of insurance to households and private individuals with auto and home insurance forming the base supplemented by business insurance in selected areas.

Operational activities are conducted within two business segments, Partner and Private, which are supported by group-wide functions.

Earnings and the market

Earned premiums and market shares

Earned premiums (after reinsurance) within the Group rose to SEK 9,362 million (8,822) and to SEK 8,068 million (7,789) in the parent company.

The private market continues to grow. During 2011 the number of full Folksam customers continued to grow and at year end reached 500,000. Customers must insure both their cars and homes with Folksam in order to be counted as full customers. We continued our initiative with customized combination offers in order to further strengthen relations with our most important customers. The positive sales trend in so-called supplementary insurance continued during 2011.

Basic, Intermediate and Plus were launched as different types of contents and homeowners insurance offers to meet customer demand for clearer, simpler alternatives. Strategically, additional living expense insurance is the most important item in the entire insurance product range.

The positive trend in auto and traffic continued resulting in 30,000 more insured private cars during 2011. This led to an increase in the Folksam General Group's market share (measured by the number of policies) in the private car market of 0.2 per cent to 21.7 per cent. Folksam also strengthened its position in brand insurance and now collaborates with Toyota/Lexus, Honda, Suzuki, Mitsubishi and

Hyundai.

The company's attractive offers to animal owners have resulted in increased market shares. Market share for pet owners grew in 2011 from 18.0 to 19.5 per cent.

The commercial market continued to grow during the years. A clear strategy focusing on small companies, real estate and auto was developed.
Stockholms Kooperativa Bostadsförening (SKB) chose to continue its agreement with Folksam. The extension follows a procurement carried out by the insurance brokers Söderberg & Partners. The agreement provides home contents insurance to everyone who rents accommodation from SKB in the association's properties. Premiums are paid by SKB and form part of the rent. Folksam began its collaboration with SKB in 1943 and was then Folksam's first obligatory home contents insurance policy.

In the beginning of 2012 Folksam is also launching a simple living guide on folksam.se. The guide will help customers select the right insurance and kindle interest in learning more about homeowners' policies.

Folksam General launched a new, individual child insurance during the year that can be taken out via our web service.

Market share measured in total premiums paid according to Swedish Insurance Federation statistics increased to 15.4 per cent (15.2), while market share in the household market for the Folksam General Group amounted to 19.9 per cent (19.7) according to Swedish Insurance Federation statistics. Market shares measured by the number of policies totaled 48.3 per cent (49.8) for home contents insurance, 28.1 per cent (28.8) in single-family homeowner's insurance and 21.5 per cent (21.7) for private car insurance.

Earnings

Consolidated earnings before appropriations and tax amounted to SEK 1,749 million (1,712) and SEK 1,386 million (1,751) for the parent company. Earnings from insurance operations deteriorated as a result of increased claims while return on capital made a strong contribution to the positive result.

Claims incurred (after reinsurance) increased during 2011 and amounted to SEK -7,983 million (-7 265) for the Group and SEK -6,909 million (-6,354) for the parent company. One significant cause is that real interest rates, which are used to discount the provision for personal injury annuities, fell markedly during 2011. The provision for personal injury annuities increased by SEK 653 million, which affected the technical result negatively. The claims outcome for 2011 was affected in the same way as the previous year by weather-related claims events, but the most important cause of the claims increase is a general growth in claims in household, home, and second home insurance. For example, claims for leaks – the largest claims item in single-family homeowner's insurance insurance in money terms – increased considerably over the past three years. The number of submitted claims within the group grew during 2011 compared to previous years by 8 per cent for auto insurance and 14 per cent for home contents, homeowner's and second home insurance. During 2011 a reinsurance receivable of approximately SEK 800 million settled with General Re affected earnings by SEK -47 million.

The combined ratio increased in the parent company to 103.8 per cent (98.6). Operating expenses increased by SEK 145 million during the year. The increased expenses are largely due to pension provisions to the Coop pension foundation, where employee pensions are assured, which were SEK 113 million higher than in 2010, a year with exceptionally good rates of return. Development costs increased as a result of the preliminary study phase for Solvency II. The expense ratio as a proportion of premiums increased to 18.2 per cent (17.0). operating expenses were simultaneously affected by continued work on the development and streamlining of organizations and processes; refer to the section Other operational factors.

Financial position and capital standing

Solvency capital continued to strengthen and amounted to SEK 10,358 million (9,267) for the group and SEK 10,240 million (8,821) in the parent company. The solvency ratio amounted to 107 per cent (102) in the Group and 123 (110) in the parent company.

Subsidiaries

Tre Kronor Försäkring AB continued to grow. Earned premiums (after reinsurance) increased by 57 per cent and amounted to SEK 581 million (370). Profit/loss before income tax amounted to SEK -1 million (-47). The improvement compared to the previous year was due to an improved technical result and better asset management earnings. The portfolio continued to grow; measured by the number of insurance contracts the increase was 27 per cent. Solvency capital totaled SEK 158 million (155).

Svenska Konsumentförsäkringar AB's (hereinafter Swedish Consumer Insurance) premiums earned for own account increased by 7 per cent to SEK 713 million (664). Earnings increased in 2011 and amounted to SEK 21 million (-22). The improvement is due to higher earned premiums and higher return on capital during the year. Solvency capital totaled SEK 507 million (487).

Other operational factors

Together with FAM – wholly owned by the Wallenberg Foundations – Folksam General, Folksam Life and Proventus became part owners of the wind power company PWP AB. The company owns six land-based wind farms with an annual generating capacity of 0.26 TWh. Folksam's total participation in the investment amounts to SEK 200 million.

- Folksam General, Folksam Life and KPA Pension jointly acquired Gnosjö Energi AB, which owns four wind turbines in Kulltorp in Gnosjö municipality. The turbines are estimated to be capable of heating 1,000 houses. The total investment amounts to SEK 145 million.

- A number of activities were initiated to develop and streamline the organization and its processes in order to achieve business and cost synergies. Work on coordinating joint functions to ensure the continued efficient use of resources continued during 2011.
- The IT, actuary, public relations, finance and legal functions are now coordinated centrally for the whole of Folksam General and Folksam Life. Furthermore, major parts of insurance administration are coordinated in a joint department. IT operations and PC workstation maintenance were outsourced to Logica as part of the concentration of resources.
- The project to convert office workstations into open office landscape in order to make more efficient use of space and reduce the cost of floor space will continue in 2012.
- Comprehensive changes to the sales and claims units' customer organizations were carried out during the year and focus shifted from a geography-driven to channel-driven organization with a total of eleven channels. Of these five are sales channels – customer service, life, savings, telemarketing, internet and mass market – and six are claims channels; property, vehicle, personal injury/compensatory damages, personal injury/provisions, investigations and other. The change was made to improve efficiency through a shorter decision chain, based on 95 per cent of customers making contact with Folksam via telephone or the internet. Around 2,000 employees are affected and reorganization will continue during 2012.
- A new purchasing organization was set up on October 1 to achieve a more integrated purchasing process and create conditions for lower purchasing costs in both claims and operations.

Asset management

Market development

The year began with weak Swedish stock trends, but with upturns in most other stock markets Interest rates rose weakly on strong confidence in the Swedish business cycle despite some concern about inflation. Initially news was dominated by the protests and demonstrations in Tunisia and Egypt, but later in March focus switched to the earthquake, tsunami and nuclear accident in Japan.

The Swedish stock market enjoyed a strong spring, supported by robust corporate reports. During the latter part of spring the media focused once again on the debt crisis in Europe, with the spotlight on Greece in particular. Prime interest rates climbed in southern Europe while those in the north began to fall when capital flowed to countries with stronger finances such as Germany and Sweden.

After the summer, the budgetary situation became acute, above all in Greece and a Euro crisis with an economic slowdown made its approach. In just a few weeks stock markets fell by almost 20 per cent and long-term Swedish government bond rates fell by almost a full percentage point to record low levels. The fall in interest rates was significantly lower for credit bonds due to concerns about credit losses and financing problems in the European banking system. Despite intense efforts from Europe's heads of state to solve the Euro crisis, central bank rates in southern Europe climbed and instead capital flowed toward countries such as Sweden, resulting in continued heavy downward pressure on Swedish interest rates. The Euro problem also reached Germany in November and a poorly subscribed government bond issue resulted in Swedish interest rates falling significantly lower than German rates.

Swedish stocks fell by around 14 per cent over the full year while international stock markets dropped by around 5 per cent in local currencies according to the MSCI World Weighted Index, but by around 2 per cent in SEK due to exchange rate differences during the year. Interest rates for five-year government bonds that began the year at levels approaching 3.3 per cent fell to 1.0 per cent by year end.

The Swedish property market was relatively strong, especially during the first six months of the year, but a slight weakening was noted following the summer. Strong demand for commercial premises continued and contributed to good appreciations in value. Demand for housing in big city areas remained high and also contributed to good appreciations in value. There was an increasing interest in the residential property market with regard to sheltered living.

Rates of return

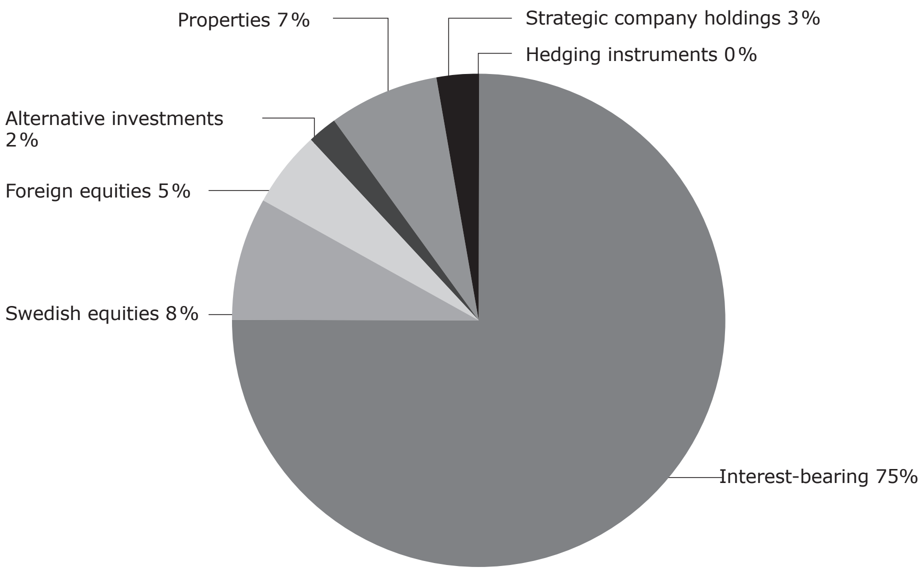
The 2011 total return ratio on company assets was 6.9 per cent (6.7) equivalent to SEK 1,825 million (1,652). The principal explanation for total return ratio is the company's strategic asset distribution, which among other things governs the nature of insurance commitments and the company's risk tolerance. The year's

Total yield table, parent company

SEK million	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011 SEK million	Total yield 2011 %	Total yield 2010 %	Total yield 2009 %	Total yield 2008 %	Total yield 2007 %
Interest-bearing	18 382	21 480	1 476	7,6	2,2	4,1	6,7	2,9
Shares	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
Property	1 865	2 117	198	10.6	1.7	-4.1	6.3	10.3
Strategic company hold-ings	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
Total	**25 981**	**28 792**	**1 825**	**6,9**	**6.7**	**8.1**	**2.5**	**3.5**

The total return ratio table is arranged as per Swedish Insurance Federation recommendations and the company's guidelines for measuring and reporting total return ratio. Note 50 describes how the total return ratio table is connected to the income statement and balance sheet.

Distribution of investment assets, Market value



good rates of return are chiefly explained by good rates of return on interest-bearing investments as a result of drastically falling interest rates and good returns on properties. Equities exposure consisted for the most part of shares in Swedbank was 15* per cent at the beginning of the year and 12 per cent at year end. The rate of return on equities was negative. Exposure to foreign currencies was gradually increased over the year and grew from around 4 per cent to around 8 per cent in order to increase diversification. Asset interest rate risk was well matched by the interest rate risk of technical provisions.

*) 18 per cent including holdings in unlisted Falck A/S, sold off at the beginning of 2011.

Strategic holding in Swedbank

Folksam owns just over nine per cent of Swedbank stock.

Folksam's participation in Swedbank December 31, 2011

Company	Quantity	Proportion of votes and capital in Swedbank
Folksam General	26 543 173	2.3%
Folksam Life	63 340 399	5.5%
	89 883 572	**7.8%**
Folksam LO Funds	7 203 627	0.6%
KPA Pensionsförsäkring	11 147 049	1.0%
KPA Livförsäkring	202 977	0.0%
Coop Pension Foundation	1 441 126	0.1%
Förenade Liv	115 805	0.0%
Folksam Total	**109 994 156**	**9.5%**

Brand

Folksam is the common brand name of Folksam General and Folksam Life. A new brand strategy was adopted in 2010 with the aim of repositioning Folksam's image. Repositioning will be achieved by fulfilling the brand's promise of "Committed to you" and through actions based on Folksam's core values – personal, committed, and responsible.

Folksam's new graphic standard was launched in 2010 as the starting point for the brand repositioning and in 2011 work on the brand sought to bring about the actual repositioning. During the year the focus was on strengthening activities surrounding the new core values.

Living the brand – initiatives 2011

- Updated communication strategy with a clearer message
- Further training of sales personnel
- Social media

The significance of the brand is growing as an ever greater proportion of sales takes place via the internet and a corresponding reduction in the proportion of sales take place via personal contacts. Folksam's success depends on the trust and confidence of its customers, both existing and potential. The trust that Folksam is able to create and strengthen by personal contact needs to be generated via the brand to a greater extent, thus work on the brand is of great importance for the achievement of the company's business goals.

An additional advantage of a strong brand is that it makes the recruitment of new employees easier.

Folksam is the broadest overall brand and the strongest asset in the brand portfolio. Förenade Liv is a wholly owned subsidiary and the brand is therefore also wholly owned. The wholly owned KP brand was brought under Folksam in 2011.

Folksam also jointly owns the brands KPA Pension and Pensionsvalet (Swedish Municipalities and County Council SKL) and Folksam-LO Pension (LO). Examples of co-branding are IF Metall, Toyota and OK Q8. Furthermore, two Folksam companies work in partnership with insurance products marketed under other brands, namely Svenska Konsumentförsäkringar (Salus Ansvar) and Tre Kronor (Swedbank and independent savings banks).

Customer satisfaction

Folksam continually measures customer satisfaction. Generally speaking surveys show that customers who have been in contact with Folksam are more satisfied than those who have not.

The access problems that affected customers with property insurance claims above all during the second and third quarters harmed customer satisfaction. The loss of customer satisfaction that followed was recouped by Folksam as the problems were dealt with. At year end customer satisfaction was unchanged from 2010 at 74 per cent. The target is for 75 per cent of customers to be satisfied generally.

Industry ratings for general insurance (private) fell overall for the first time for many years. At the same time Folksam experienced positive trends, not least within motor insurance. Customer satisfaction also fell in the life insurance market during 2011. Folksam's customers likewise gave lower grades, but not to the same extent as in the rest of the market.

Folksam's surplus values

Vision and a sense of duty

Everything we do at Folksam shall be directed and steered toward the vision that "people should feel safe and secure in a sustainable world." Our vision seeks to safeguard nature and society and recognizes that sustainable development is one of the most urgent questions we have to consider.

Sustainability issues characterize our entire operation; for example, Folksam was the first Swedish company to fully offset the impact of its CO_2e emissions back in 2006.

Folksam's size means it is able to exert influence. The demands we place on our suppliers, e.g. when it comes to repairs to houses or vehicles our customers have insured with us, are therefore able to make a big difference. Folksam’s stringent environmental demands have contributed to higher environmental standards with several major sub contractors The parts of Folksam most able to make a difference are certified according to ISO 14001, the recognized international standard for environmental management systems.

People with the knowledge and opportunity to positively influence social development have a duty to do so, as Folksam has done ever since the company was founded more than a century ago. "Influence with responsibility" is one of the joint boards' five strategic focus areas and includes Folksam's preventive work within road safety research, environmental and sustainability issues and corporate governance. Folksam seeks to be at the cutting edge in every area.

Good Environmental Choice – a historic event

November 28, 2011 was a historic day for Folksam's environmental efforts as we became the first insurance company in the world certified with the Bra Miljöval label (good environmental choice) – the world's toughest eco-label. The Swedish Society for Nature Conservation awards the Bra Miljöval label, which covers car and home insurance through Folksam General. This is proof that we take green issues seriously and shoulder responsibility for our climate impact.

Folksam fully offsets its carbon footprint.

Folksam's climate footprint is growing. The total climate impact for 2011 was measured at 3,975 tons CO2e. This is an increase of 122 tons compared to previous years. This is due primarily to the increase in Folksam's property portfolio compared to previous years, which has led to increased energy consumption for heating. In addition the annual climate footprint includes three new items from the Tullgården head office, namely coffee and paper consumption and emissions from printed materials.

In contrast to previous years the 2011 readings include all carbon dioxide equivalents, i.e. all six greenhouse gasses, not just carbon dioxide. Folksam strives to increase the number of its climate offset items every year.

Environmentally-certified suppliers

Folksam is a major purchaser in both its operations and claims business. Therefore the way we work with purchasing issues has a great influence on the suppliers we choose to work with. Folksam attaches great importance to environmental performance and good working conditions in the manufacture of the products and services we purchase. Our principle objective is to prioritize suppliers and products that are environmentally certified.

Thirty years of traffic research

Traffic injuries cause great harm to public health, losses to economic life of society and above all to the individual.

Folksam has more than 30 years' traffic safety research experience with an emphasis on the study of real-world traffic accidents. We use the knowledge our research provides to save lives in traffic. Fewer traffic injuries also means lower injury costs and thus lower third-party vehicle insurance premiums, which benefits Folksam's customers.

A major part of the company's research focuses on charting the security level of various vehicle models and their safety systems. The results are used e.g. to inform and influence the general public, companies and the public sector about the importance of prioritizing safety when purchasing vehicles.

Responsible ownership

Here at Folksam we are convinced that companies which take responsibility for the environment and human rights are more profitable in the long term. Folksam influences the companies it invests in by applying environmental, human rights and anti-corruption criteria.

However, we have made a conscious decision not to invest in some companies no matter how small their climate impact is or how good their working environment; the disqualifying criteria are tobacco and illegal arms such as cluster weapons, anti-personnel mines and nuclear weapons.

All companies within Folksam apply these criteria, with two exceptions. The subsidiary KPA Pension has adopted even tougher disqualifying criteria and over and above the arms industry it does not invest in the alcohol industry or commercial gambling, and it also has tougher environmental standards. Folksam General, with its Good Environmental Choice label, also excludes investments in companies within the coal, uranium and nuclear power generation industries.

Folksam General and Folksam Life are the first European investors to be elected as members of the Global Network Initiative, GNI. In common with other organizations such as the IT companies Google and Microsoft, various professional and industrial bodies, universities and investors, Folksam will work to safeguard human rights on the internet and within telecommunications.

Folksam manages around SEK 285 million on behalf of just over four million customers. This gives us the ability to influence and change society in the long term. All of the capital that Folksam manages, whether it be in funds, insurance portfolios or individual placements, falls under ethical investment criteria.

Folksam's objective of persuading companies to assume their social responsibility is very much for the public good, as we believe that knowledge helps bring about positive change. Folksam publishes annual reports and indices that provide information about the company’s work in such areas as the environment, human rights and equality.

Personnel Information

Terms and conditions of employment

Through its membership in KFO, the Swedish employers' association, Folksam is bound by collective bargaining agreements concerning pay and general terms and conditions of employment. Folksam's collective bargaining agreement applies to the parent companies Folksam Life and Folksam General and consolidated subsidiaries and the non-consolidated subsidiaries KPA Livförsäkring, KPA Pensionsförsäkring and Förenade Liv.

Three agreements reached with FTF (Swedish union of insurance employees); Handels (commercial employees' union) and Jusek (Swedish university graduates' union), Civilekonomernas Riksförbund (Swedish graduate business administrators union) and Sveriges Ingenjörer (Swedish association of graduate engineers) apply to salaried employees. The last-mentioned agreement covers all employees who are members of trades unions which are in turn members of SACO. Working hours are 37.5 per week for salaried employees. The collective agreement for KTP occupational pensions applies to Folksam's salaried employees.

Pay and general terms and conditions of employment for Folksam and TM agents are covered by collective bargaining agreements with Handels. Working hours are 40 per week for labourers. Occupational pensions for agents (KAP) are governed by collective bargaining agreements between KFO and LO. During the year a new agreement for sales positions was reached with the three salaried employee organizations. At the same time, the Company and Private Agent sales functions ceased. The average number of employees, pay and remunerations, with special specifications for senior executives, are reported under Note 49.

Employee survey shows employees are committed

Folksam should be an attractive employer with committed, responsible employees who create customer value. In order to achieve this, the company's efforts focus strategically on e.g. terms and conditions of employment, recruiting, skills enhancement, leadership, performance management and health & safety.

The annual Fokus staff survey achieved a 92 per cent response. The result also showed that 2011 scored very highly in e.g. leadership and target setting and performance management.

Internal cooperation is a Folksam focus area and this was borne out by improved survey scores.

Areas that had lower 2011 scores were, among others, stress and well-being at work. Ongoing changes and new working methods were the most probable influences.

Staff turnover at Folksam increased compared to 2010. This is primarily due to ongoing reorganization activities, coordination between companies and retirements.

Sick leave rates

Sick leave at Folksam remains at the same level as in 2010, but work on various measures to promote health and prevent illness continue.

A pilot telephone service was introduced in 2011 that provides medical advice when staff report sick. Its objective is to provide employees with the necessary support for staying healthy and to spot signs of ill health earlier in order to take preventive action.

The pilot showed that on average each period of sick leave was shortened by one day with most staff having a positive perception of the service. The service will be introduced throughout Folksam from 2012 with the aim of reducing Folksam's sick leave rates.

Attractive employer

In order to secure its skills supply in the long term Folksam focuses on boosting its image as an employer. During 2011 the development of educational collaboration with universities, colleges and vocational training schools continued. The collaboration entails participating in case work on various courses, offers of work experience, thesis work and summer jobs for students from selected programmes. Furthermore, Folksam took part in fifteen career days in collaboration with some of the universities best able to support our skills supply over the long term.
During the year development of the new Folksam careers website folksam.se/jobba continued in order to improve communications with potential employees. It is used in such areas as major sales and IT recruitment campaigns and during the year it had an average of just under ten thousand visitors per month.

Diversity

Folksam works actively on diversity issues. Diversity leads to better business and helps Folksam remain an attractive employer. The diversity aspect forms part of Folksam's annual employee survey, whose results underpin internal diversity efforts. Work continued during 2010 on local action plans in connection with annual business planning. The intention is for diversity perspectives to form a natural part of day-to-day operations.

The insurance industry is facing new challenges and this places great demands on companies. Solvency II is the umbrella term for the new solvency rules for insurance companies currently being prepared in the EU. The objective is to create a uniform market, improve protection for policyholders, increase competition among European insurance companies and create better regulation. Folksam has begun various preparations to achieve this, an important part of which is ensuring that key personnel are sufficiently qualified and have the knowledge and experience to lead operations in a sound, responsible manner. Therefore Folksam began a survey during the year in preparation for aptitude testing of key personnel.

Rewards programme

Folksam has a rewards program that seeks to raise the profile of strategic goals and engender collaboration surrounding them. The programme shall strengthen employee motivation in work on creating customer value. An important goal for the 2011 rewards programme was the efficient use of Folksam's resources. It was to be achieved through reduced operational costs, a lower total cost ratio and more efficient administration. Other goals are associated with the brand and customer satisfaction.

A provision of SEK 15,000 per employee has been made in the annual accounts. A definitive decision regarding rewards will be made by the board in March 2012.

Corporate governance

Good corporate governance is about ensuring that a company is run on behalf of its owners in an efficient a manner as possible. An overall objective with Folksam's corporate governance – apart from conforming to the company's vision and ethical principles – is to ensure good returns for its customers.

Corporate governance at Folksam is based on legislation, chiefly the Swedish Insurance Business Act, but also the Swedish Financial Supervisory Authority regulations and guidelines. Folksam also applies the Swedish Corporate Governance Code. In addition to external governing regulations there are around 80 internal regulations that are classified as overarching.

Because Folksam is customer-owned it has no shareholders. Instead, customers are represented at AGMs by delegates. A separate corporate governance report including a report on internal controls has been prepared and is available at folksam.se.

Duties of the Board of Directors

Nine board meetings were held during the year, and in addition the board members received information via email on a number of occasions. Board committees: the audit committee and remunerations committee held five and six meetings respectively during the year. Furthermore, committee members had telephone and email contacts.

Around 30 of Folksam's rules and regulations are approved by the board. These regulations were reviewed during the year and revised as necessary. Some of the regulations are approved annually whether or not they have changed.

Prior to each meeting the board is given a written report by the managing director covering important events within Folksam and also the industry in general. In accordance with a strategic agenda the board also took up the following during the year: forecasts and annual accounts and reports, ongoing follow-up of business operations and the realization of a number of strategic objectives, compliance reports, reviews of activities and finances in subsidiary companies, business and competition intelligence, risk management, internal audit reports, establishment of reinsurance programs, adoption of a rewards program (which includes all employees with the exception of senior Group executives and certain other key executives who are able to influence the company's risk-taking), a follow-up of asset management operations and profit/loss, and it held meetings with the authorized accountant.

The board convened and attended a two-day seminar during the year with the objective of discussing strategic and future issues in depth. Themes discussed at the seminar were business intelligence, customer patterns, IT strategy and the intensification and summarizing of governance from the board's perspective.

In accordance with the Swedish Corporate Governance Code the board carried out a board evaluation during the year.

Ingela Rozman resigned her board membership and Annika Strandhäll was elected as a member at the AGM.

Disputes

Folksam General has few complaints or legal disputes. Provisions are made in each individual case where Folksam predicts that compensation may be paid out or that a disputed reimbursement is likely not to be paid.

Risk management

Significant risks and uncertainty factors

The ability to identify, prevent and manage risks is becoming increasingly important. Risks that are properly managed can lead to new opportunities and the creation of value, while risks that are not properly managed can lead to major losses and costs. Folksam's risks are managed in a uniform manner based on an overall view of the risk situation at the present moment and in the future. Refer also to Note 2 for a more detailed account of risk management within the company.

The Risk Management Process

The risk management process is divided into steps in order to identify, evaluate, manage, monitor and report all material risks.

Identification

Risks are recognized and charted in a uniform, systematic manner in accordance with the company’s risk classification system. Identified risks are described, registered and classified. All risks are linked to information about the units and companies affected. All identified risks are assigned risk owners, and measures for managing and preventing risks are drawn up.

Evaluation

Risks are evaluated in a uniform manner and quantified, where possible, using generally accepted methods. Risks can be evaluated more or less precisely, and depending on the type of risk, an evaluation is either quantitative (measured) or qualitative (estimated). The Swedish Financial Supervisory Authority's traffic light system for measuring risks in insurance companies, is used to evaluate insurance risks and financial risks (market risks and credit risks).

In order to calculate how much capital the company needs to cover risks according to the traffic light system, a number of predefined stress scenarios are executed. The different scenarios illustrate the company's total capital requirement (according to the traffic light system) in relation to the company's available capital.

Management
Risk management takes place with the aid of regulations, processes and control activities. It is the responsibility of operational and company management to prioritize planned measures.

Monitoring
Monitoring includes the day-to-day supervision of risks and measures, and ensuring that risks are within approved limits. Processes and procedures necessary for monitoring risks are drawn up. It is the responsibility of the business operation to ensure that risks and measures are monitored constantly.

Reporting
All material risks are reported to the board and the managing director to provide a balanced, objective view of the overall risk situation. Aggregated risk is described in written reports.

Organization and division of responsibilities
In order to clarify management and responsibility for risk management and control, activities are split into three lines of responsibility.

The first line of responsibility consists of units in parent companies and subsidiaries and outsourced operations. They are responsible for leading operations so that board objectives are met. They own and manage risks, i.e. they are responsible for risk management activities, monitoring and compliance.

The second line of responsibility is made up of management and control functions that shall ensure effective, efficient risk management. The management and control functions support and follow up the first line of responsibility based on internal management and control frameworks; they are responsible for maintaining an overall picture of the risk situation in the company and reporting this to the board and managing director.

The third line of responsibility consists of the internal audit, which reviews and evaluates internal management and controls, including risk management, on behalf of the board.

Solvency II

Solvency II is the umbrella term for the new solvency rules for insurance companies currently being prepared in the EU. The directive is anticipated to come into force in 2014 and is intended to strengthen the connection between solvency requirements and risks. Corporate governance will be strengthened through increased risk control as will a clear customer perspective. Solvency II forms part of a wider effort to create a common European financial market.

The regulation is supported by three pillars.

- Pillar 1 – quantitative requirements for the 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 in 2009, when the boards of Folksam General and Folksam Life approved the frameworks and principles for implementation. They noted that while formal requirements will increase, Folksam will be able to meet both internal and external demands through good management, risk management and compliance.
The purpose of Folksam's Solvency II programme is to ensure that operations fulfil regulatory requirements. The ambition is for both decisions and implementation to be carried out where the responsibility concerned will reside on completion of the programme.

The programme is proceeding according to plan During 2011 work was intensified and focused chiefly on operational control and reporting. A reporting project is under way within the programme with the objective of creating availability of traceable, correct and easily accessible basic data from insurance, accounting and financial systems. Efficient reporting processes are also being implemented including calculations from basic data through to finished reports. The objective of the second part of the programme, control, is to strengthen the qualitative characteristics of the company's organization and regulations.

Solvency II entails the modernization of the entire industry, which is good for Folksam and its policyholders. Successful companies are those that are best able to manage market changes to their own advantage.

Five-year summary and key ratios, SEK million

GROUP	2011	2010	2009[1]	2008	2007[2]
PROFIT/LOSS					
Premiums written (after reinsurance)	9 697	9 125	8 552	8 040	8 328
Premiums earned (after reinsurance)	9 362	8 822	8 579	8 133	8 207
Return on capital net in insurance operations	641	643	626	705	773
Other technical income (after 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 technical expenses (after reinsurance)	-	-38	-1	-1	-2
Insurance operation technical result	**303**	**616**	**962**	**1 651**	**1 362**
Remaining return on capital	1 457	1 074	1 279	-144	-297
Other	-11	23	13	-4	-14
Profit/loss before appropriations and income tax	**1 749**	**1 713**	**2 254**	**1 503**	**1 051**

(cont.)	2011	2010	2009[1]	2008	2007[2]
FINANCIAL POSITION					
Investment assets at fair value	29 225	25 664	24 804	24 885	26 249
Technical provisions, (after reinsurance)	23 456	21 874	20 769	20 152	20 227
Solvency capital					
Taxed equity	7 717	6 861	5 446	5 989	4 594
Subordinated liabilities	-	-	1 475	975	975
Deferred tax liability	2 462	2 255	1 745	1 172	981
Surplus value in investment assets					
Investments in Group companies	-	146	216	357	665
Other financial investment assets	-	-	–	–	–
Total surplus value	**179**	**146**	**216**	**357**	**665**
Total solvency capital	**10 358**	**9 267**	**8 882**	**8 493**	**7 215**
(cont.)	**2011**	**2010**	**2009[1]**	**2008**	**2007[2]**

KEY RATIOS					
Earnings from P&C insurance business					
Claims ratio	85	82	79	67	75
Expense ratio	19	18	19	22	19
Combined ratio	104	100	97	89	93
Earnings from asset management					
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
Financial position					
Solvency ratio, per cent	107	102	104	106	86

1) Restated owing to change-over to full IFRS in consolidated financial statements and for provisions for pensions and similar liabilities. Earlier years are not recalculated in respect of this change of principle.

2) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies.

3) Yield restated for 2009 according to change regulation FFFS 2009:12. Reported key ratios in respect of yield for the years 2007-2008 are calculated according to the applicable FFFS 2008:26.

Special accounts for applied accounting and valuation principles are provided in connection with annual report notes.

Five-year summary and key ratios, SEK million

PARENT COMPANY	2011	2010	2009[1]	2008	2007[2]
PROFIT/LOSS					
Premiums written (after reinsurance)	8 292	7 989	7 607	7 200	7 514
Premiums earned (after reinsurance)	8 068	7 789	7 704	7 298	7 410
Return on capital net in insurance operations	608	613	595	668	737
Other technical income (after 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 technical expenses (after reinsurance)	-	-	-1	-1	-3
Insurance operation technical result	**316**	**755**	**898**	**1 580**	**1 282**
Remaining return on capital	1 079	999	1 301	-21	-219
Other	-9	-3	-3	-3	-2
Profit/loss before appropriations and income tax	**1 386**	**1 751**	**2 196**	**1 556**	**1 061**
FINANCIAL POSITION					
Investment assets at fair value	28 164	25 032	24 058	23 665	25 112
Technical provisions, (after reinsurance)	21 719	20 302	19 422	18 897	19 051
Solvency capital					
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
Surplus value in investment assets					
Investments in Group companies and associated companies	179	146	216	359	667
Total surplus value	**179**	**146**	**216**	**359**	**667**

(cont.)	2011	2010	2009[1]	2008	2007[2]
Total solvency capital	**10 240**	**8 821**	**8 615**	**8 223**	**6 977**
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
Consolidated capital base	10 065	8 607	7 971	7 471	6 181
Consolidated solvency margin	1 655	1 509	1 443	1 487	1 592
KEY RATIOS					
Earnings from P&C insurance business					
Claims ratio	86	82	79	66	75
Expense ratio	18	17	18	22	18
Combined ratio	104	99	97	88	93
Earnings from asset management					
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
Financial position					
Solvency ratio, per cent	123	110	113	114	92

1) Restated owing to changed accounting principles for provisions to pensions and similar liabilities. Earlier years are not recalculated in respect of this change of principle.

2) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies.

3) Yield restated for 2009 according to change regulation FFFS 2009:12. Reported key ratios in respect of yield for the years 2007-2008 are calculated according to the applicable FFFS 2008:26.

Significant events during the financial year

On two occasions during the year Folksam Life, Folksam General and KPA invested in renewable energy. Gnosjö Energi AB was acquired in February. The investment comprised four land-based wind turbines in Kulltorp, Småland. The turbines have been in operation since 2009 and have a total output of 10 MW and are theoretically able to heat 1,000 houses. Six moths later Folksam joined Wallenberg Foundations and Proventus and acquired one third each of the wind power company PWP AB in August. The company owns six land-based wind farms with an annual generating capacity of 0.26 TWh. Electricity output from the 47 wind turbines in operation is able to heat around 13,000 houses.

Folksam General sold 100 per cent of the securities company Folksam Spar to independent investment consultants Indecap with the objective of focusing more intently on savings insurance. Folksam Spar comprises around 22,500 customers with individual pension investments. At the same time Folksam began a long-term strategic collaboration with Indecap by acquiring 20 per cent of the company. Indecap is an investment consultant for funds that provide management within e.g. Premium pension investments. The company manages SEK 7,500 billion.

In 2011 Folksam became the first insurance company in the world certified with the Swedish Society for Nature Conservation's Bra Miljöval label (good environmental choice) – the world's toughest eco-label. Certification is in respect of Folksam General and the auto and homeowner's insurance products.

Folksam Life and General took possession of the investment in FIH on January 6, 2011. The investment in the consortium took place through Folksam Cruise Holding AB which is 75 per cent owned by Folksam Life and 25 per cent owned by Folksam General. The companies reached an agreement to exercise joint control and an internal consortium agreement was reached wherein the owners would jointly decide on important issues. The investment is reported as an associated company.

Events after closing date

Folksam's customer surveys show that its policyholders prefer to do their insurance business over the phone and on the internet while an ever-smaller number of customers wishes to visit the office. Folksam is currently making a new strategic initiative in telephone and advice bureaux at the same time as claims experts and claims administration is concentrated to fewer places. The new organization will be in place in the 2015 New Year, and no employees will be given notice of termination.

At the end of January, 2012 Folksam General contracted to acquire 51 per cent of the shares in Aktia Skadeförsäkring Ab through an agreement with Aktia ABP in Finland. The investment in Aktia Skadeförsäkring Ab is the first step and an important part of Folksam's expansion strategy for the Nordic insurance market. Aktia Skadeförsäkring Ab has annual sales of approximately EUR 70 million and operates primarily in the coastal areas of Finland. The purchase sum was EUR 24 million.

Folksam General took possession of the Indecap AB shares and divested the shares in Folksam Spar AB on February 1, 2012 in accordance with an earlier agreement.

Future developments

The Folksam General Group's operational base is the Swedish market and it has a development strategy for the Nordic market where the acquisition of Aktia Skadeförsäkring Ab in Finland and its operations within household and commercial markets, distributed through bank assurance, is an important step. The board has laid down a strategy for increasing market share within P&C insurance through continued focus on full-customer offers based on auto and home insurance. Folksam enjoys good growth in the household market and foresees good conditions for the continued reinforcement of its position both through its own distribution and collaborations and partnerships. The commercial business continues to be developed.

The focus that Folksam General has directed toward claims and offers trends is anticipated to continue in the years ahead.

Folksam has a good financial position and customers will participate in bonuses as solvency capital grows.

The pace of change in the world at large, especially in the area of regulations, has accelerated. Folksam, like the industry as a whole, is faced with adapting to major changes in regulations such as Solvency II. Adapting to gender neutral premiums is another issue of immediate interest for the industry.

Proposed allocation of profits

The following is at the AGM's disposition:

Retained earnings	2 131 104 539,22
Earnings for the year	181 602 969,57
	2 312 707 508,79

The board and the managing director propose that earnings of SEK 2,312,707,508.79 be carried forward.

Regarding the company's operations in other respects we refer to the following income statements and balance sheets for the Group and parent company and their associated notes.

INCOME STATEMENT

Group, SEK million		2011	2010
TECHNICAL REPORT OF P&C INSURANCE OPERATIONS			
Premiums earned (after reinsurance)			
Premiums written (before reinsurance)	Note 3	9 743	9 174
Premiums for reinsurance	Note 3	– 46	– 49
Change in Provision for non-earned premiums and unexpired risks		– 335	– 303
		9 362	**8 822**
Return on assets transferred from financial operations	Note 4	641	643
Other technical income (after reinsurance)		26	30
Claims incurred (after reinsurance)	Note 5		
Claims paid			
Before reinsurance		– 7 562	– 6 645
Reinsurer's share		818	181
Change in Provisions for unsettled claims			
Before reinsurance		– 417	– 628
Reinsurer's share		– 822	– 173
		– 7 983	**– 7 265**
Bonuses and rebates (after reinsurance)		– 9	– 1
Operating expenses	Note 6	– 1 734	– 1 575
Other technical expenses (after reinsurance)		–	– 38
P&C insurance operation's technical result		**303**	**616**

Group, SEK million		2011	2010
NON-TECHNICAL REPORT			
P&C insurance operation's technical result		303	616
Investment income	Notes 7, 11	1 851	899
Unrealized gains from investment assets	Notes 8, 11	908	1 305
Investment charges	Notes 9, 11	– 247	– 148
Unrealized losses from investment assets	Notes 10, 11	– 705	– 339
Return on assets transferred to P&C insurance business		– 641	– 643
Other income		0	0
Other expenses		– 10	– 3
Operating profit/loss in businesses other than insurance companies		– 1	5
Participation in associated companies' profit/loss		291	21
Earnings before tax		**1 749**	**1 712**
Tax on current year's earnings	Note 13	– 393	– 427
PROFIT/LOSS FOR THE YEAR FROM REMAINING OPERATIONS		**1 356**	**1 286**

STATEMENT OF COMPREHENSIVE INCOME

Attributable to:		
Policyholders	1 356	1 286

Group, SEK million		2011	2010
PROFIT/LOSS FOR THE YEAR		**1 356**	**1 286**
Other comprehensive income			
Actuarial gains and losses including income tax		– 676	335
Proportion of associated companies' other comprehensive income		–	–
Translation difference on foreign operations		– 6	– 118
Income tax on items reported as other comprehensive income	Note 13	178	– 87
Other comprehensive income for the year, net after tax		**– 504**	**130**
COMPREHENSIVE INCOME FOR THE YEAR		**852**	**1 416**
Attributable to:			
Policyholders		852	1 416

BALANCE SHEET

ASSETS Group, SEK million		2011-12-31	2010-12-31
Intangible assets	Note 14		
Goodwill		30	29
Other intangible assets		170	170
		200	199
Investment assets			
Investment property	Note 15	715	613
Shares and participations in associated companies	Note 17	1 133	830
Interest-bearing securities issued by, and loans to, associated companies	Note 18	151	-
		1 999	1 443
Other financial investment assets			
Shares and participations	Notes 19, 27	4 169	4 975
Bonds and other interest-bearing securities	Notes 20, 27	22 440	18 706
Other loans	Notes 21, 27	168	168
Derivatives	Notes 22, 27	53	19
Other financial investment assets	Notes 23, 27	218	206
		27 048	24 074
Deposits from companies that have ceded reinsurance		–	1
Total Investment assets		**29 047**	**25 518**

ASSETS Group, SEK million		2011-12-31	2010-12-31
Reinsurer's share of technical provisions			
Unsettled claims	Note 33	69	891
		69	891
Receivables			
Receivables in respect of direct insurance	Note 24	2 754	2 601
Receivables in respect of reinsurance	Note 25	40	188
Current tax asset		84	86
Other receivables	Note 26	630	411
Pensions and similar liabilities	Note 35	-	170
		3 508	3 456
Other assets			
Cash and cash equivalents		1 272	1 656
Property, plant and equipment	Note 28	470	480
		1 742	2 136
Prepayments and accrued income			
Accrued interest and rental income	Note 27	392	288
Prepaid acquisition costs	Note 29	331	319
Other prepaid expenses and accrued income	Note 30	134	139
		857	746
TOTAL ASSETS		**35 423**	**32 946**

BALANCE SHEET (cont.)

EQUITY, PROVISIONS AND LIABILITIES

Group, SEK million		**2011-12-31**	**2010-12-31**
Equity attributable to policyholders	Note 31		
Translation reserve		– 12	– 6
Retained earnings including profit/loss for the year		7 729	6 867
		7 717	6 861
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	Note 32	5 136	4 801
Unsettled claims	Note 33	18 379	17 963
Bonuses and rebates	Note 34	10	1
		23 525	22 765
Liabilities			
Pensions and similar liabilities	Note 35	335	–
Deferred tax liability	Note 36	2 462	2 260
Liabilities in respect of direct insurance	Note 37	159	2
Liabilities in respect of reinsurance	Note 38	1	1
Liabilities to credit institutions	Notes 39, 27	4	4
Derivatives	Notes 40, 27	24	3
Other liabilities	Notes 41, 27	594	461
		3 579	2 731
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Notes 42, 27	602	589
		602	589
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**35 423**	**32 946**

For information regarding the Group's pledged assets and contingent liabilities, refer to Notes 45, 46 and 47.

STATEMENT OF CHANGES IN EQUITY

Group, SEK million	Translation reserve [2]	Retained earnings incl. profit/loss for the year [3]	Equity attributable to policyholders	Holdings without controlling influence	Total equity
	EQUITY ATTRIBUTABLE TO POLICYHOLDERS [1]			TOTAL	
Opening balance 01/01/2011 as per approved balance sheet	**112**	**5 333**	**5 445**	**–**	**5 445**
Adjusted opening balance 01/01/2011	**112**	**5 333**	**5 445**	**–**	**5 445**
Earnings for the year	–	1 286	1 286	–	1 286
Other comprehensive income for the year	– 118	248	130	–	130
Comprehensive income for the year	**– 118**	**1 534**	**1 416**	**–**	**1 416**
Closing balance, 31/12/2011	**– 6**	**6 867**	**6 861**	**–**	**6 861**
Change in associated company equity	–	4	4	–	4
Earnings for the year	–	1 356	1 356	–	1 356
Other comprehensive income for the year	– 6	– 498	– 504	–	– 504
Comprehensive income for the year	**– 6**	**858**	**852**	**–**	**852**
Closing balance, 31/12/2011	**– 12**	**7 729**	**7 717**	**–**	**7 717**

1) Restated owing to change-over to full IFRS in consolidated financial statements and for provisions for pensions and similar liabilities. Earlier years are not recalculated in respect of this change of principle.

2) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies. Earlier years are not recalculated in respect of this change of principle.

3) Yield restated for 2010 according to change regulation FFFS 2010:12. Reported key ratios in respect of yield for the years 2007-2008 are calculated according to the applicable FFFS 2008:26.

Special accounts for applied accounting and valuation principles are provided in connection with annual report notes.

STATEMENT OF CASH FLOWS

Group, SEK million	2011	2010
OPERATING ACTIVITIES		
Profit/loss before income tax [1]	1 749	1 713
Adjustment for items not included in cash flow [2]	1 158	835
Tax paid	– 7	– 26
Cash flow from operating activities before changes in assets and liabilities	**2 900**	**2 522**
Change in other operating receivables	– 1 012	– 866
Change in other operating liabilities	172	102
CASH FLOW FROM OPERATING ACTIVITIES	**2 060**	**1 758**
INVESTMENT ACTIVITIES		
Change in investment assets [3]	– 2 196	– 272
Change of investment assets not used directly in operations		
Change in associated companies [4]	– 165	– 26
Change in other investment assets [5]	– 1	– 1
Changes in material and intangible assets [6]	– 77	– 145
CASH FLOW FROM INVESTMENT ACTIVITIES	**– 2 439**	**– 444**
FINANCING ACTIVITIES		
Repayment of subordinated liabilities	–	– 1 475
Interest on subordinated liabilities	–	– 88
CASH FLOW FROM FINANCING ACTIVITIES	**–**	**– 1 563**
CASH FLOW FOR THE YEAR	**– 379**	**– 249**
Cash and cash equivalents at beginning of year [7]	1 655	1 904
Exchange rate differences in cash and cash equivalents	– 18	–
Cash and cash equivalents at year end [7]	1 258	1 655
Cash flow for the year	**– 379**	**– 249**

[1] Interest and dividends paid and received	2011	2010
Interest paid during the period	– 62	– 122
Interest received during the period	726	758
Dividends received during the period	152	43
Total paid and received interest and dividends	**816**	**679**

[2] Items not included in cash flow	2011	2010
Impairments	– 36	4
Depreciations	105	157
Non-distributed profit-sharing in associated companies	– 291	– 21
Realized gains (-) / losses (+)	– 630	– 202
Unrealized gains (-) / losses (+)	– 221	– 970
Exchange rate gains (-) / losses (+)	– 119	23
[2] Items not included in cash flow (cont.)		
Change in accrued cost of interest-bearing securities	139	169
Change in provisions in respect of insurance policies	1 582	1 105
Change in provision for pension liabilities	-42	15
Change in premium receivables	671	555
Total items not included in cash flow	**1 158**	**835**

[3] Change in investment assets	2011	2010
Investments in investment assets	-14 115	-14 980
Sale of investment assets	11 919	14 708
Total change in investment assets	**-2 196**	**-272**

[4] Net investments in associated companies	2011	2010
Investments in associated companies	– 165	– 26
Sales of associated companies	–	–
Total net investments in associated companies	**– 165**	**– 26**

[5] Net investment in other investment assets	2011	2010
Investments in other investment assets	– 1	– 1
Sale of other investment assets	–	–
Total net investments in other investment assets	**– 1**	**– 1**

[6] Net investments in tangible and intangible assets	2011	2010
Investments in tangible and intangible assets	– 94	– 146
Sale of tangible and intangible assets	17	1
Total net investments in tangible and intangible assets	**– 77**	**– 145**

[7] Sub-components included in cash and cash equivalents	2011	2010
Cash and bank balances	1 272	1 656
Current investments equivalent to cash and cash equivalents	– 14	–
Total sub-components included in cash and cash equivalents	**1 258**	**1 656**

Unliquidated transactions in respect of shares and bonds liquidated close to the trade date are classified as current investments.

Inaccessible cash and cash equivalents	2011	2010
Currency restrictions	–	–
Other legal restrictions	55	–
Total inaccessible cash and cash equivalents	**55**	**–**

INCOME STATEMENT

Parent company, SEK million		2011	2010
TECHNICAL REPORT OF P&C INSURANCE OPERATIONS			
Premiums earned (after reinsurance)			
Premiums written (before reinsurance)	Note 3	8 330	8 031
Premiums for reinsurance	Note 3	– 38	– 42
Change in Provision for non-earned premiums and unexpired risks		– 224	– 200
		8 068	**7 789**
Return on assets transferred from financial operations	Note 4	608	613
Other technical income (after reinsurance)		25	30
Claims incurred (after reinsurance)	Note 5		
Claims paid			
Before reinsurance		– 6 527	– 5 851
Reinsurer's share		801	175
Change in Provisions for unsettled claims			
Before reinsurance		– 376	– 492
Reinsurer's share		– 807	– 186
		– 6 909	**– 6 354**
Bonuses and rebates (after reinsurance)		– 9	– 1
Operating expenses	Note 6	– 1 467	– 1 322
P&C insurance operation's technical result		**316**	**755**

Parent company, SEK million		2011	2010
NON-TECHNICAL REPORT			
P&C insurance operation's technical result		316	755
Investment income	Notes 7, 11	1 622	834
Unrealized gains from investment assets	Notes 8, 11	877	1 284
Investment charges	Notes 9, 11	– 129	– 197
Unrealized losses from investment assets	Notes 10, 11	– 683	– 308
Return on assets transferred to P&C insurance business		– 608	– 614
Other income		1	–
Other expenses		– 10	– 3
Profit/loss before appropriations and income tax		**1 386**	**1 751**
Appropriations	Note 12	– 1 144	– 809
Earnings before tax		**242**	**942**
Tax on current year's earnings	Note 13	– 60	– 231
PROFIT/LOSS FOR THE YEAR		**182**	**711**

STATEMENT OF COMPREHENSIVE INCOME

Parent company, SEK million	2011	2010
Earnings for the year	**182**	**711**
Other comprehensive income for the year	**–**	
COMPREHENSIVE INCOME FOR THE YEAR	**182**	**711**

PERFORMANCE ANALYSIS

Parent company, SEK million	Disability & accident insurance	Home contents and homeowners	Commercial & property	Automotive	Traffic	Maritime, aviation and transport
Premiums earned (after reinsurance)						
Premiums written (before reinsurance)	1 452	2 794	287	2 248	942	3
Premiums for reinsurance	– 3	– 16	– 11	– 3	– 3	–
Change in Provision for non-earned premiums and unexpired risks	44	– 128	– 19	– 136	39	–
	1 493	2 650	257	2 109	978	3
Return on assets transferred from financial operations	224	54	4	16	300	–
Other technical income (after reinsurance)	3	8	1	7	5	–
Claims incurred (after reinsurance)						
Claims paid						
Before reinsurance	– 1 198	– 2 226	– 123	– 1 471	– 1 059	– 1
Reinsurer's share	1	26	–	–	772	–
Change in Provisions for unsettled claims						
Before reinsurance	15	37	– 34	– 22	– 401	– 1
Reinsurer's share	– 1	– 19	10	–	– 797	–
	– 1 183	– 2 182	– 147	– 1 493	– 1 485	– 2
Bonuses and rebates (after reinsurance)	– 9	–	–	–	–	–
Operating expenses	– 195	– 499	– 67	– 366	– 260	– 1
P&C insurance operation's technical result	**333**	**31**	**48**	**273**	**– 462**	**–**
Prior-year claims result before reinsurance	83	– 18	48	– 30	113	–
Technical provisions, before reinsurance						
Non-earned premiums and unexpired risks	– 394	– 1 899	– 79	– 1 320	– 468	– 1
Unsettled claims	– 6 292	– 1 414	– 221	– 265	– 8 956	– 2
Bonuses and rebates	– 10	–	–	–	–	–
	– 6 696	– 3 313	– 300	– 1 585	– 9 424	– 3
Reinsurer's share of technical provisions						
Unsettled claims	–	7	10	–	46	–
	–	7	10	–	46	–

PERFORMANCE ANALYSIS (cont.)

Parent company, SEK million	Credit and sureties	Pets	Other lines	Total insurance of Swedish risk	Received reinsurance	Total
Premiums earned (after reinsurance)						
Premiums written (before reinsurance)	–	468	132	8 326	5	8 331
Premiums for reinsurance	–	– 2	–	– 38	–	– 38
Change in Provision for non-earned premiums and unexpired risks	–	– 16	– 9	– 225	–	– 225
Reinsurer's share of change in provision for non-earned premiums and unexpired risks	–	–	–	–	–	–
	–	450	123	8 063	5	8 068
Return on assets transferred from financial operations	–	6	4	608	–	608
Other technical income (after reinsurance)	–	1	–	25	–	25
Claims incurred (after reinsurance)						
Claims paid						
Before reinsurance	–	– 329	– 108	– 6 515	– 12	– 6 527
Reinsurer's share	–	–	–	799	2	801
Change in Provisions for unsettled claims						
Before reinsurance	–	4	21	– 381	5	– 376
Reinsurer's share	–	–	–	– 807	–	– 807
	–	– 325	– 87	– 6 904	– 5	– 6 909
Bonuses and rebates (after reinsurance)	–	–	–	– 9	–	– 9
Operating expenses	–	– 73	– 6	– 1 467	–	– 1 467
P&C insurance operation's technical result	**–**	**59**	**34**	**316**	**–**	**316**
Prior-year claims result before reinsurance	–	11	24	231	–	231
Technical provisions, before reinsurance						
Non-earned premiums and unexpired risks	–	– 215	– 61	– 4 437	–	– 4 437
Unsettled claims	–	– 80	– 105	– 17 335	–	– 17 335
Bonuses and rebates	–	–	–	– 10	–	– 10
	–	– 295	– 166	– 21 782	–	– 21 782
Reinsurer's share of technical provisions						
Non-earned premiums and unexpired risks	–	–	–	–	–	–
Unsettled claims	–	–	–	63	–	63
	–	–	–	63	–	63

BALANCE SHEET

ASSETS Parent company, SEK million		2011-12-31	2010-12-31
Intangible assets	Note 14		
Other intangible assets		168	163
		168	163
Investment assets			
Buildings and land	Note 15	1 133	999
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 16	1 405	1 403
Shares and participations in associated companies	Note 17	47	33
Interest-bearing securities issued by, and loans to, associated companies	Note 18	151	–
		1 603	1 436
Other financial investment assets			
Shares and participations	Notes 19, 27	4 003	4 769
Bonds and other interest-bearing securities	Notes 20, 27	20 807	17 288
Other loans	Notes 21, 27	168	168
Derivatives	Notes 22, 27	52	19
Other financial investment assets	Notes 23, 27	218	206
		25 248	22 450
Deposits from companies that have ceded reinsurance		–	1
Total Investment assets		**27 984**	**24 886**

ASSETS Parent company, SEK million		2011-12-31	2010-12-31
Reinsurer's share of technical provisions			
Unsettled claims	Note 33	63	870
		63	870
Receivables			
Receivables in respect of direct insurance	Note 24	2 197	2 130
Receivables in respect of reinsurance	Note 25	35	184
Current tax asset		84	84
Other receivables	Note 26	633	415
		2 949	2 813
Other assets			
Tangible assets	Note 28	51	92
Cash and cash equivalents		1 067	1 496
		1 118	1 588
Prepayments and accrued income			
Accrued interest and rental income	Note 27	366	270
Prepaid acquisition costs	Note 29	263	257
Other prepaid expenses and accrued income	Note 30	134	139
		763	666
TOTAL ASSETS		**33 045**	**30 986**

BALANCE SHEET (cont.)

EQUITY, PROVISIONS AND LIABILITIES

Parent company, SEK million		**2011-12-31**	**2010-12-31**
Equity	Note 31		
Other funds			
Statutory reserve		-	-
Accumulated earnings		2 131	1 420
Earnings for the year		182	711
		2 313	2 131
Untaxed reserves			
Contingency reserve		7 142	5 998
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	Note 32	4 437	4 213
Unsettled claims	Note 33	17 335	16 958
Bonuses and rebates	Note 34	10	1
		21 782	21 172
Other provisions			
Pensions and similar liabilities	Note 35	97	97
Deferred tax liability	Note 36	606	546
		703	643
Liabilities			
Liabilities in respect of direct insurance	Note 37	107	1
Liabilities in respect of reinsurance	Note 38	1	1
Derivatives	Note 40.27	24	3
Other liabilities	Note 41.27	523	526
		655	531

EQUITY, PROVISIONS AND LIABILITIES

Parent company, SEK million		**2011-12-31**	**2010-12-31**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Note 42.27	450	511
		450	511
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**33 045**	**30 986**
PLEDGED ASSETS	Note 45	28 405	25 200
CONTINGENT LIABILITIES	Note 46	3	3
COMMITMENTS	Note 47	76	448

STATEMENT OF CHANGES IN EQUITY

	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
Parent company, SEK million	**Capital guarantee**	**Statutory reserve**	**Accumulated earnings**	**Earnings for the year**	**Total equity**
Opening balance 01.01.10	500	–	914	506	1 920
Distribution of earnings	–	–	506	– 506	–
Repayment of capital guarantee	– 500	–		–	– 500
Earnings for the year	–	–	–	711	711
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	–	–	–	711	711
Closing balance, 31/12/2010	**–**	**–**	**1 420**	**711**	**2 131**
Opening balance 01/01/2011	–	–	1 420	711	2 131
Distribution of earnings	–	–	711	– 711	–
Earnings for the year	–	–	–	182	182
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	–	–	–	182	182
Closing balance, 31/12/2011	**–**	**–**	**2 131**	**182**	**2 313**

The character and purpose of reserve items under Equity are described in Note 1, Accounting principles .

STATEMENT OF CASH FLOWS

Parent company, SEK million	2011	2010
OPERATING ACTIVITIES		
Profit/loss before appropriations [1]	1 386	1 751
Adjustment for items not included in cash flow [2]	1 252	540
Tax paid	–	– 26
Cash flow from operating activities before changes in assets and liabilities	**2 638**	**2 265**
Change in other operating receivables	– 779	– 691
Change in other operating liabilities	138	69
CASH FLOW FROM OPERATING ACTIVITIES	**1 997**	**1 643**
INVESTMENT ACTIVITIES		
Change in investment assets [3]	– 2 070	– 221
Change of investment assets not used directly in operations		
Net investment in associated companies [4]	– 165	– 26
Net investment in other investment assets [5]	– 1	– 1
Changes in material and intangible assets [6]	– 77	– 145
CASH FLOW FROM INVESTMENT ACTIVITIES	**– 2 313**	**– 393**
FINANCING ACTIVITIES		
Group contributions, net [7]	– 106	85
Repaid capital guarantee	–	– 500
Amortization of subordinated debt	–	– 975
Interest on capital guarantee and subordinated liabilities	–	– 86
CASH FLOW FROM FINANCING ACTIVITIES	**– 106**	**– 1476**
CASH FLOW FOR THE YEAR	– 422	– 226
Cash and cash equivalents at beginning of year [8]	1 496	1 722
Exchange rate differences in cash and cash equivalents	– 19	–
Cash and cash equivalents at year end [8]	1 055	1 496
Cash flow for the year	**– 422**	**– 226**

Parent company, SEK million	2011	2010
[1] Interest and dividends paid and received		
Interest paid during the period	– 61	– 121
Interest received during the period	694	694
Dividends received during the period	152	43
Total paid and received interest and dividends	**785**	**616**
[2] Items not included in cash flow		
Impairments	10	53
Depreciations	99	144
Realized gains (-) / losses (+)	– 610	– 185
Unrealized gains (-) / losses (+)	– 212	– 976
Exchange rate gains (-) / losses (+)	– 119	23
Change in accrued cost of interest-bearing securities	130	157
Change in provisions in respect of insurance policies	1 417	879
Change in premium receivables	–	– 23
Change in provisions for pensions and similar liabilities	537	468
Total items not included in cash flow	**1 252**	**540**
[3] Change in investment assets		
Investments in investment assets	– 12 610	– 14 846
Sale of investment assets	10 540	14 626
Total change in investment assets	**– 2070**	**– 221**
[4] Net investments in associated companies		
Investments in associated companies	– 165	– 26
Sales of associated companies	–	–
Total net investments in associated companies	**– 165**	**– 26**

STATEMENT OF CASH FLOWS (cont.)

Parent company, SEK million	2011	2010
5) Net investment in other investment assets		
Investments in other investment assets	– 1	– 1
Sale of other investment assets	–	–
Total net investments in other investment assets	**– 1**	**– 1**
6) Net investments in tangible and intangible assets		
Investments in tangible and intangible assets	– 94	– 146
Sale of tangible and intangible assets	17	1
Total net investments in tangible and intangible assets	**– 77**	**– 145**
7) Group contributions, net		
Group contributions received	8	85
Group contributions rendered	– 114	–
Total Group contributions, net	**– 106**	**85**
8) Sub-components included in cash and cash equivalents		
Cash and bank balances	1 067	1 496
Current investments equivalent to cash and cash equivalents	– 12	–
Total sub-components included in cash and cash equivalents	**1 055**	**1 496**

Unliquidated transactions in respect of shares and bonds liquidated close to the trade date are classified as current investments.

Inaccessible cash and cash equivalents	2011	2010
Other legal restrictions	55	–
Total inaccessible cash and cash equivalents	**55**	**–**

Notes

Note 1. Accounting principles

General information

This annual report is submitted December 31, 2011 and refers to the 2011 financial year for Folksam ömsesidig sakförsäkring, which is a mutual insurance company with its registered office in Stockholm. Its head office address is Bohusgatan 14, SE 106 60 Stockholm and its company registration number is 502006-1619. Folksam General pursues P&C insurance business.

Conformity with norms and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and adopted by the EU. In addition, Swedish Financial Accounting Standards Council recommendation RFR 1 Complementary Reporting Rules for Groups is applied. Applicable parts of FFFS 2008:26 and its change regulations and the Swedish Annual Accounts Act for Insurance Companies are also applied in the consolidated financial statements.

The parent company applies the same accounting principles as the Group, except in those cases stated below in the parent company accounting principles section.

Conditions when preparing Folksam General's financial statements

Folksam General's functional currency is Swedish crowns (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million, unless otherwise specified. Financial assets and liabilities are reported at historical costs except for a certain few financial assets and liabilities that are reported at fair value. Financial assets and liabilities that are reported at fair value consist of derivative instruments, financial assets classified as financial assets reported at fair value via the income statement. Real estate is also measured at fair value.

Estimations and assessments in the financial statements

Preparation of the financial statements in accordance with IFRS provisions requires that assessments, estimates, and assumptions be made that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on empirical experience and a number of other factors that are deemed reasonable under current circumstances. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assessments are reviewed regularly. Estimates and assessments that have a significant effect on the financial statements are described in Note 50. The most important assumptions that have an effect on reported assets and liabilities are related to technical provisions. The provisions are monitored and evaluated on a continuous basis in the regular accounting and forecasting process. Any surplus or loss in provisions for unsettled claims, excluding the current claims year, is reported in its entirety in the income statement as a prior-year claims result.

The accounting principles specified below have, with the exception of the years 2007–2008 in the Five-year summary, been consistently applied in all periods presented in the financial statements unless otherwise stated below.

The annual report was approved for publication by the board on March 29, 2012.The income statement and balance sheet with be presented for approval at the AGM on April 19, 2012.

New IFRSs and interpretations not yet adopted

A number of new or changed standards and interpretations will come into force during the coming financial year and were not applied in advance during the preparation of these financial statements. It is not planned to apply new standards or changes that will be applicable from the 2012 financial year and onward in advance.

The effects that application of the new or changed IFRSs are expected to have on the company's financial statements are described below. Other new additions are not anticipated to affect the Folksam General's financial statements.

IFRS 9: Financial Instruments is intended as a replacement of IAS 39 Financial Instruments: Accounting and valuation from the beginning of 2015 at the latest. IASB has published the first of three parts that will form the final IFRS 9. This first part deals with classification and measurement requirements for financial assets. The financial asset categories in IAS 39 are replaced by two categories where measurement takes place at fair value or accrued cost. Accrued cost is used for instruments that are held by a business model whose objective is to obtain contractual cash flows that will comprise payments of capital amounts and interest on capital amounts on specific dates. Other financial assets are reported at fair value and the opportunity to apply the fair value option as in IAS 39 is retained. Changes in fair value must be reported under profit/loss with the exception of changes in value of equity instruments that are not held for trade and for which the initial choice was to report changes in value in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9 but are reported provisionally in accordance with IAS 39. Folksam General has yet to evaluate the effects of the new standard pending the completion of all of its parts.

The company has not taken a decision on whether the new principles should be

applied in advance or from January 1, 2015.
IFRS 13 Fair Value Measurement: A new uniform standard for measuring fair value and improved disclosure requirements. The standard shall be applied prospectively to the financial year commencing January 1, 2013 or later. Folksam General has not yet carried out any evaluation regarding whether IFRS 13 will entail any change to the methods currently applied for measuring fair value.

Change to IFRS 7 Financial instruments: New disclosure requirements for transferred assets. The change shall be applied to the financial year that begins on July 1, 2011 or later. Comparative information need not be provided.

The content of other changed standards for future application (not yet adopted by the EU) can be summed up as follows:

Change to IAS 12 Income tax in respect of the evaluation of tax on investment properties: The change entails a presumption that investment property measured at fair value will be realized through sale. According to this approach deferred tax is normally measured based on the tax rate applicable at the time the property is sold. The change shall be implemented from and including the financial year beginning January 1, 2012.

IFRS 10 Consolidated Financial Statements: New standard for consolidated financial statements. The standard shall be applied to the financial year commencing January 1, 2013 or later with retroactive application. Early application is permitted.

IFRS 11 Joint Arrangements: New standard for reporting joint ventures and joint operations. The standard shall be applied to the financial year commencing January 1, 2013 or later.

IFRS 12 Disclosure of Interests in Other Entities: New standard for disclosures for all types of investments in other companies. The standard shall be applied to the financial year commencing January 1, 2013 or later with retroactive application.

Changed IAS 27 Consolidated and Separate Financial Statements: The changed standard only includes regulations for judicial entities. In principal there are no changes in respect of accounting and disclosures for separate financial statements. Reporting of associated companies and joint ventures has been included in IAS 27. The changes shall be applied to the financial year that begins on January 1, 2013 or later.

Changed IAS 28 Investments in Associates and Joint Ventures: The changed standard conforms in principal with the previous IAS 28. The changes refer to how accounting should be carried out when investments change and significant or joint controlling influence ceases or not. The change shall be applied to the financial year commencing January 1, 2013 or later.

Changed IAS 1 Presentation of Financial Statements (Presentation of other comprehensive income): The change refers to how items in other comprehensive income shall be presented. The items must be divided into two categories, namely items that will be reclassified to profit/loss for the year and items that will not be reclassified. Items that will be reclassified are translation differences. Items that are not reclassified are actuarial gains and losses. The change shall be applied for the financial year that begins on July 1, 2012 with retroactive application.
Changed IAS 19 Employee benefits: The change entails the disappearance of the so-called corridor method. Actuarial gains and losses shall be reported in other comprehensive income. Returns calculated on plan assets shall be based on the discount rate used for calculating pension obligation. The difference between actual and calculated returns in respect of plan assets shall be reported in other comprehensive income. The changes shall be applied to the financial year commencing January 1, 2013 or later with retroactive application.

Consolidation principles

Subsidiaries

Folksam General consolidates subsidiaries that are under its controlling influence. Controlling influence means a direct or indirect right to decide a company's financial and operational strategies with the objective of gaining economic benefits. When assessing whether a controlling influence exists, the existence of shares with potential voting rights that are currently exercisable or convertible are considered.

Subsidiaries are reported according to the purchase method, which means that the acquisition of a subsidiary is regarded as a transaction in which the parent company indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value of the acquired identifiable assets and assumed liabilities and any holdings without a controlling influence are determined on the day of acquisition in an acquisition analysis. Transaction expenditures, with the exception of transaction expenditures attributable to the issue of equity instruments or debt instruments that arise are recognized directly in profit/loss for the year. Transferred payment in connection with the acquisition does not include payments in respect of the settlement of earlier business relationships. This type of settlement is reported in profit/loss.

A subsidiary's financial statements are included in the consolidated accounts from the acquisition date until the date when controlling influence no longer exists.

In cases where the subsidiary's accounting principles do not conform to the consolidated accounting principles, adjustments are made to the consolidated accounting principles.

The acquired company's revenues, expenses, identifiable assets, liabilities and any goodwill or negative goodwill are included in the consolidated financial statements from the moment of acquisition. Divested companies are included in the consolidated financial statements for the period up until the moment of divestment.

In divestments that lead to the loss of controlling influence but in which a participation remains, said participation is measured at fair value and the change in value is reported in profit/loss for the year.

Associated companies

Shareholdings in which Folksam has a minimum of 20 per cent and a maximum of 50 per cent of the votes or in some other way has a significant influence over the operational and financial management, are reported according to the equity method. The method means that an associated company's carrying amount is adjusted by the annual share in profits. An equivalent amount is reported in the income statement under "Share in associated company's profits" in the non technical result. Reported shares in profits are not to be considered as unappropriated for the owner for which reason they are reclassified to the equity method reserve.

Transaction expenditures, with the exception of transaction expenditures attributable to the issue of equity instruments or debt instruments that arise, are included in the acquisition cost. When the Group's share of reported losses in associated companies exceeds the carrying amount of the shares in the Group, the value of the participations is reduced to zero. Deductions for losses also take place against long-term financial transactions without security which because of their financial import form part of the owning company's net investment in the associated company. Continued losses are not reported unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied up until the moment when significant influence ceases.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income and expenses, as well as unrealized gains or losses arising from transactions between subsidiaries, are eliminated in their entirety when preparing the consolidated accounts. Unrealized profits arising from transactions with associated companies are eliminated to an extent that corresponds to the Group's shareholding in the company. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that no impairment loss is necessary

Foreign currency

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Folksam General's functional currency is the Swedish crown and the closing date's closing exchange rate is used when measuring assets and liabilities in foreign currencies. Changes in exchange rates are reported net in the income statement under the items "Investment income" and "Investment charges."

Non-monetary assets and liabilities reported at historic cost are translated at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities reported fair value are translated to the functional currency at the exchange rate prevailing at the time the fair value was measured.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including other Group-related surpluses and deficits, are translated from the foreign operations' functional currencies to Swedish crowns, the Group's presentation currency, at the exchange rate prevailing on the closing day. Revenues and expenses in a foreign operation are translated to Swedish crowns at the average exchange rate that constitutes an approximation of the rates applying when the transactions concerned occurred. Translation differences that arise from currency translation of foreign operations are reported under other comprehensive income and accumulated in equity in a translation reserve.

Insurance contracts

Accounting for operations that are reported as insurance operations

Folksam General has classified all contracts based on the insurance risk they entail and the financial effect an insurance event will thus have on the company. The financial effect must be significant for a contract to be considered an insurance contract. The company considers the financial effect to be significant if the insurance risk is at least five per cent. All contracts have been classified as insurance contracts.

Operations reported as insurance operations are reported in accordance with IFRS 4.

Revenue recognition/Premiums written

The total gross premium for direct insurance and accepted reinsurance paid in or which can be credited to the company for insurance contracts whose insurance period commences before the end of the financial year is reported as premium income. Premiums for insurance periods that commence after the close of the financial year are also reported as premium income if they fall due for payment contractually during the financial year.

Gross premium refers to the contractual premium for the entire insured period less deductions for customary customer discounts.

Renewal premiums not confirmed by the policyholder and premiums for new insurance contracts are entered in the amounts expected to flow into the operation. Surrenders reduce premium income as soon as the amount is known. Supplementary premiums are entered in the amounts expected to flow into the operation. Premium income is reported exclusive of tax and other public fees charged to insurance premiums.

Premiums earned correspond to the proportion of the premium income earned. Non-earned premiums are set aside as Provisions for non-earned premiums.

Claims paid
Claims paid to policyholders during the financial year owing to insurance contracts or claims are reported as claims paid.

Technical provisions

Technical provisions consist of:
– provisions for non-earned premiums and unexpired risks
– provisions for unsettled claims, including claim settlement expenses

Provisions for non-earned premiums and unexpired risks
Provisions for non-earned premiums comprise the value of the company's combined liabilities for current insurance. Calculation of the provisions was carried out according to recognized methods that entail consideration of how large a proportion of the premium for each individual policy is attributable to the time beyond the accounting period.

In lines of business where premium levels are considered inadequate, a provision for non-earned premiums for insurance policies valid at the end of the accounting period shall be calculated according to the above to back unexpired risks for the period up until the next due date. Such provisions were made in the Commercial, Disability Insurance and Income Insurance lines of business.

Provision for unsettled claims
Provisions for known but unsettled claims were made at known amounts with additions for calculated remaining repayment expenses and calculated remaining claims settlement expenses.

Provisions for unknown claims in respect of both disbursement expenses and claims settlement expenses have taken place with regard to our experience of occurrences of insured events that are reported later.

The chain ladder and Bornhuetter-Ferguson methods are used for property and casualty insurance. Both are generally recognized actuarial methods that are well controlled and accepted. The chain ladder method provides best results in lines of insurance with stable disbursements, i.e. that the next year's disbursements are assumed to take place at the same pace previous years' disbursements. In insurance lines where historical trends are inadequate or unstable the Bornhuetter-Ferguson method is used. It uses a combination of the chain ladder method and an estimated total expense e.g. based on market data or risk premium trends. The Bornhuetter-Ferguson method is used primarily for new claims years and insurance lines that have significant personal injury elements. Regardless of the method there is a natural element of uncertainty depending on changed conditions inside and outside the company over time, along with purely random fluctuations.

In insurance lines where claims take a long time to reach final settlement explicit assumptions are made regarding future inflation levels for the line concerned. In the case of claims linked to price base amount development, a claims inflation of 2 per cent (2) is assumed and in respect of claims associated with pay inflation, claims inflation of 3 per cent (3) is assumed.

In addition to the provision for future claims disbursements a provision for remaining claims settlement expenses is also made. This provision is based on experience of claims settlement expenses from previous years and an estimation of the total outstanding quantity of claims that remain to be settled.

Provisions for personal injury annuities are calculated using life actuary methods. This means that assumptions are made for personal injury annuities regarding
– anticipated mortality; insurance industry assumptions on anticipated mortality distributed by age and gender.
– inflation-proofing; governed by the Act on amending of Annuities.
– discount rate. The rate of interest is selected in accordance with the applicable provisions in FFFS 2011:22.
– management charges.

Disability insurance calculations are based on assumptions about
– the probability of falling ill/recovery to health
– discount rate. The rate of interest is selected in accordance with the applicable provisions in FFFS 2011:22.
– management charges.

With the exception of certain types of compensation in disability and accident insurance and personal injury annuities, provisions for unsettled claims are not discounted. The discount rate for personal injury annuities is based on the interest on government bonds on the closing date and a nominal rate of 3.0 per cent (3.5), a claims inflation of 2.0 per cent (2.0) or real rate of interest of 1.0 per cent (1.5) are applied to disability and accident insurance. The provision for components that are discounted amounts to SEK 6,022 million (6,032) before discounting. The corresponding amount after discounting is SEK 5,386 million (4,752).

Liability adequacy test
The company's applied accounting and valuation principles for technical provisions and prepaid acquisition expenses automatically entail a test to confirm whether the provisions are adequate in respect of anticipated future cash flows.

Prepaid acquisition expenses for insurance contracts
Sales expenses that have a clear connection with the signing of insurance contracts are entered as assets, pre-paid acquisition expenses. Sales expenses refer to e.g. commissions, marketing expenses for insurance products, pay and other variable sales staff expenses that are directly or indirectly related to the acquisition or renewal of insurance contracts. Acquisition expenses are only activated for homogenous groups of individually signed contracts deemed to generate a profit margin which at a minimum covers acquisition costs. Pre-paid acquisition expenses are periodized in a manner that corresponds to the periodization of non-earned premiums. Depreciation time amounts to 12 months.

Operating expenses
All operating expenses are divided in the income statement into the functions acquisition, claims settlement, administration, commissions and participations in reinsurance, insurance, investment charges and in certain cases, other technical expenses.

Reinsurance cessions
Amounts that are paid out during the financial year or amounts taken up as liabilities to insurance companies that have accepted reinsurance according to reinsurance contracts in force, including portfolio premiums, are reported as reinsurance premiums. The premiums are periodized so that the expense is allocated to the period the insurance protection covers. Deductions are made for amounts credited owing to portfolio withdrawal or a change of the reinsurer's share of the proportional reinsurance contract.

The reinsurer's share of technical provisions corresponds to the reinsurer's liability for technical provisions according to contracts in force. The company assesses the impairment requirement for assets in respect of reinsurance contracts every quarter/closing date. If the recoverable value is lower than the carrying amount of the asset, the asset is written down to the recoverable value and the impairment is expensed in the income statement.

Reporting returns on capital

Allocated investment return transferred from the non-technical account in P&C insurance
Return on capital is transferred from asset management earnings to the insurance operation's earnings based on the average technical provisions for own account after deductions for net receivables in the insurance operation. The transferred return on capital is calculated based on an interest rate that corresponds to the rate on government bonds with a maturity that essentially matches the duration of the technical provisions.

Investment income
The item Investment income refers to returns on investment assets and pertains to rental income from buildings and land, dividends from shares and participations (including dividends from shares in Group companies and associated companies), interest income, exchange rate gains (net), reversed impairment charges and capital gains (net).

Investment charges
Investment charges includes expenses for investments such as operating expenses for buildings and land, asset management expenses, interest expenses, foreign exchange losses (net), impairment charges and capital losses (net).

Realized and unrealized changes in value
In the case of investment assets measured at cost capital gains constitute the positive difference between the sales price and book value. In the case of investment assets measured at fair value, capital gains is the positive difference between the sales price and cost. In the case of interest-bearing securities cost is the accrued cost and for other investment assets, the historical cost. Upon the sale of investment assets the previously unrealized change in value is reported as an adjustment item under the items Unrealized investment gains and Unrealized investment losses.

Unrealized gains and losses are reported net per asset type. Such changes due to exchange rate changes are reported as exchange rate gains or exchange rate losses under the item Investment returns.

Taxes

income tax consists of current tax and deferred tax. Income tax is reported in profit/loss for the year except when the underlying transaction is reported in other comprehensive income or equity in which case the associated tax effect is reported in other comprehensive income or equity.

Current tax is tax that must be paid or received in respect of the current year by applying the tax rates that were in force, or in force in practice, on the closing date; it also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on the temporary differences between reported and fiscal values of assets and liabilities. Temporary differences are not considered for differences arising when goodwill is recognized for the first time nor upon initial entry of assets and liabilities that are not business combinations which at the time of the transaction influence neither reported nor taxable earnings, nor are differences attributable to participations in subsidiaries and associated companies that are not anticipated to be reversed within the foreseeable future. Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax regulations in force or in force in practice on the closing date.

Deferred tax assets in respect of deductible temporary differences and loss carryforwards are reported only to the extent that it is likely they will be utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

Any additional income tax arising in connection with dividends is reported at the same time as when the dividend is reported as a liability.

Intangible assets

Goodwill

Goodwill represents the difference between the acquisition cost of the business combination and the fair value of the acquired assets, assumed liabilities and contingent liabilities.

Goodwill is measured at cost less any accumulated impairments in the consolidated financial statements. Goodwill and intangible assets with indeterminable useful lives are not depreciated. Such assets are instead tested annually for the need to recognize impairment or whenever there is an indication. The test for a need to recognize impairment is performed as per IAS 36 Impairment of Assets.

Other intangible assets

Other intangible assets consist of proprietary and acquired software that are judged to involve future economic benefits. The assets are reported at cost less accumulated depreciations (see below) and any impairment losses.

The most important criteria when assessing whether an intangible asset shall be entered on the balance sheet are if it is considered possible to complete the intangible asset so that it is ready for use and that it is considered probable that it will generate economic advantages.

Depreciation principles

Depreciations are reported on a straight-line basis in the income statement above the asset's calculated useful life. Useful life is tested annually. Depreciable intangible assets are depreciated from the date they became available for use. Estimated useful life amounts to 5 years.

Investment property

Investment properties are properties held for the purpose of generating yield. Owner-occupied properties are properties held for the purposes of the company's own business operations. Owner-occupied properties are reported in the consolidated financial statements under tangible assets.

Investment properties are reported at fair value in the balance sheet with changes in value through the income statement. Fair value is based on valuations performed every six months by independent valuers. Properties are valued internally in connection with the first and third quarter interim reports. Fair value is determined through a combination consisting mainly of a cash flow calculation adjusted to market conditions and the return method. The return method is based on the present value of estimated future cash flows and the present value of an estimated residual value for the property concerned.

Both realized and unrealized changes in value are reported in the income statement. Rental income is reported under Asset management, income and property expenses under Asset management, expenses.

Financial instruments

Financial instruments that are reported on the asset side of the balance sheet include accounts receivable, shares and other equity instruments, loan receivables and interest-bearing securities, other financial investments and derivatives. Among liabilities and equity are trade accounts payable, issued debt instruments, borrowings and derivatives. The acquisition and disposal of financial assets are reported on the transaction date, which represents the date the company undertakes to acquire or divest the asset. A financial asset is removed from the statement of financial position when the rights in the contract are realized, fall due or the company loses control over them. The same applies to components of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the contract is fulfilled or is in some other way extinguished. The same applies to components of a financial liability.

A financial asset and a financial liability offset each other and are reported with a net amount in the statement of financial position when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount or realize the asset and settle the liability at the same time.

Classification and valuation

Financial instruments that are not derivatives are reported initially at cost corresponding to the instrument's fair value with additions for transaction expenses for all financial instruments except in respect of those which belong to the financial asset category reported at fair value via the income statement, and which are reported at fair value excluding transaction expenses. A financial instrument is classified when first reported based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition as described below.

Derivative instruments are reported both initially and on a continuous basis at fair value. Increases and decreases in value and where applicable paid and accrued interest on derivatives are reported as a net result of financial transactions.

Financial assets measured at fair value via the income statement
This category consists of two sub groups: financial assets that are held for trade and other financial assets which the company initially chose to place in this category (according to the fair value option). Financial instruments in this category are measured at fair value on a continuous basis with changes in value reported in the income statement. The first sub group includes derivatives with positive fair values. The following investment assets are included in the financial assets sub group in which the company initially chose to place in this category: equities, participations, bonds and interest-bearing securities and certain organizational holdings that are reported among other financial investments.
As a matter of principle the company allocates all investment assets that are financial instruments and which are not shares in subsidiaries or associated companies to the category Financial assets measured at fair value via the income statement since the company continuously evaluates asset management operations on a fair value basis.

Measuring fair value
The following summarizes the methods and assumptions used primarily to determine the fair value of financial instruments.

Financial instruments quoted on active markets
The fair value of financial instruments quoted on active markets is determined on the basis of the asset's quoted bid price on closing day without additions for transaction expenses (e.g. brokerage) at the time of acquisition. A financial instrument is considered quoted on an active market if quoted prices are readily available on an exchange, with a trader, broker, industry organization, company that provides current price information or supervisory authority and that such prices represent actual and regularly occurring market transactions under commercial conditions. Any future transaction expenses for divestment are not considered. The fair value of financial liabilities is determined by the quoted price paid. Such instruments are found under the balance sheet items shares and participations, bonds and other interest-bearing securities. The major part of the company's financial instruments are given a fair value at prices quoted on active markets.

Financial instruments not quoted on active markets
If the market for a financial instrument is not active the company determines fair value by using an evaluation technique. The techniques used are based to the greatest possible extent on market information, while company-specific information is used to the least possible extent. Valuation techniques are used for the following categories of financial instruments; derivatives, certain holdings in so-called alternative investments and unquoted holdings of shares reported under the balance sheet items shares and participations, certain organizational holdings reported under other financial investment assets and an investment in interest-bearing securities reported under the balance sheet item bonds and interest-bearing securities.

Shares and participations
Shares and participations at fair value Shares and participations officially quoted are measured with the aid of the latest official bid price in local currency.
Unquoted shares and participations consist chiefly of investment funds. The fair value of so-called fund-of-funds holdings is determined be measuring the market value of the underlying assets in the fund concerned and setting a price. These underlying holdings are often quoted if they refer to hedge funds in funds and the underlying assets are measured according to the principles for quoted assets (latest official bid price). Fund-of-funds valuations are performed by external parties appointed by the fund-of-funds manager.
The valuation of private equity funds is performed by the managers concerned according to IPEVC (International Private Equity and Venture Capital association) regulations. According to these principles valuation departs based on acquisition cost only takes place where it is manifest that acquisition cost does not reflect fair value.

Bonds and other interest-bearing securities
Bonds and other interest-bearing securities are measured at fair value. Both Swedish and foreign bonds and other interest-bearing securities with official trade are measured at market value daily with the aid of the latest official bid price in local currency.
In the case of instruments not officially traded and where reliable market prices are not available, the instruments are measured with the aid of generally accepted valuation models that involve discounting cash flow to the relevant valuation curve. Bonds and other interest-bearing securities not traded officially are marked to market with the aid of a yield curve based on Stibor (Stockholm Interbank Offered Rate) (for periods up to 9 months) and swap rates (for periods exceeding 1 year) and a market adjustment with a credit spread considered reasonable for each instrument concerned.

Derivatives
Derivatives are measured at fair value. Exchange-traded interest rate and stock futures are taken up at fair value based on the latest official bid or sales prices. Interest rate swaps and swaptions are measured with the aid of yield curves based on bid and sales prices for interbank interest rates, FRAs and swap rates. OTC share index options are marked to market with the aid of the Black & Scholes valuation model, using market data as input. Forward exchange rate contracts are valued with the aid of the quoted buying rate in Swedish crowns for the currency

in question at the end of business on the closing date and yield curves for the two currencies for the period concerned. Transaction expenses for derivatives are expensed.

Other financial investment assets
In the case of organizational holdings among other financial investment assets, valuation takes place either based on discounted future cash flows, net asset value or a valuation carried out by an external party.

Loan receivables and accounts receivable
Loan receivables and accounts receivable are financial assets that are not derivatives which have determined payments or determinable payments and which are quoted on an active market. This category includes loans guaranteed by mortgages, other loans, other financial investment assets besides organizational holdings measured at fair value via the income statement, loans to Group companies, other receivables including cash and cash equivalents and accrued interest income. These assets are valued at accrued cost. Accrued cost is determined based of the effective interest rate calculated at the time of the acquisition. Customer and loan receivables are reported at the amount expected to be received, i.e. less deductions for doubtful receivables.

Financial liabilities measured at fair value via the income statement
This category consists of two sub groups, financial liabilities held for trade and financial liabilities that were identified as belonging to this category on initial recognition. The first component category includes derivatives with negative fair values. Changes in fair value are reported in the income statement.
Folksam General has not attributed any liabilities to the valuation category financial liabilities measured at fair value in the income statement.

Other financial liabilities
Borrowing and other financial liabilities e.g. trade accounts payable, are included in this category. The liabilities are valued at accrued cost.

Impairment of financial instruments

Impairment test for financial assets in the loan/accounts receivable category
On each reporting occasion Folksam General evaluates whether there is objective evidence indicating that a financial asset or group of assets require impairment as a result of one or more events (loss events) that have occurred since initial recognition of the asset and that said loss events have an effect on estimated future cash flows from the asset or group of assets. If there is objective evidence that indicates the need for an impairment loss the assets are considered to be impaired. Objective evidence consists of observable conditions that have occurred and which have a negative effect on the ability to recover the acquisition value.
The carrying amount after an impairment loss to assets belonging to the category loan receivables and accounts receivable that are reported at accrued cost is calculated as the present value of future cash flows discounted with the interest rate effective at the time the asset was initially recognized. Assets with short durations are not discounted. An impairment loss is charged to the income statement.

A financial asset has a impairment requirement only if objective evidence shows that one or more events have occurred that have an effect on future cash flows for the financial asset if these can be estimated in a reliable manner.
Objective evidence indicating that one or more events have occurred which affect the estimated future cash flows are e.g:
- significant financial difficulties on the part of the issuer or debtor,
- that the lender has granted the borrower a concession as a result of the latter's financial difficulties and which would otherwise not have been considered,
- a breach of contract such as non-payment or delayed payment of interest or principal,
- that the borrower will probably go bankrupt or undergo other financial reconstruction and
- negative value trends of pledged assets.

Reversal of impairments
An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the impairment loss.
Impairments of assets within the loan receivables and accounts receivable category that are reported at accrued cost are reversed as a subsequent increase of the recoverable value that can objectively be attributable to an event that has occurred after the impairment was made.

Leased assets
All leasing contracts are classified as operational and reported according to the regulations for operational leasing. Expenses in respect of operational leasing contracts are reported on a straight-line basis over the leasing period.

Tangible assets
Tangible assets are reported as assets in the balance sheet if it is likely that future economic benefits will accrue to the company and the cost of the asset can be calculated in a reliable manner. Tangible assets are reported at cost less deductions for accumulated depreciations and any impairment losses. The acquisition cost of owner-occupied property reported as property, plant and equipment represents the carrying amount at the time the property changed from being reported as an investment property to an owner-occupied property.

The carrying amount of property, plant and equipment is removed from the balance sheet when it is disposed of or divested or when no future economic benefits are anticipated from the use or disposal/divestment of the asset. Gains and losses that arise from divestment or disposal of an asset consists of the difference between the sales price and the asset's carrying amount less deductions for direct sales expenses. Gains and losses are reported in the technical result.

Depreciation takes place on a straight-line basis over the asset's estimated useful life which amounts to 5 years for all reported machinery, fixtures and fittings.

Owner-occupied properties

Properties that are in continuous use in operations are reported as owner-occupied properties. Owner-occupied properties are reported according to the acquisition method in IAS 16 and depreciations are made according to the component method. Additional expenditures are added to the carrying amount in cases where the investment is considered to appreciate value. Expenditures in respect of periodic maintenance and repairs are expensed during the period in which they arise. The owner-occupied properties are divided into components and depreciated according to the component's value in use. Because land is considered to have unlimited duration of use no depreciation is made for this component.

Impairments of material and intangible assets

Impairment tests for tangible assets and intangible assets and participations in subsidiaries and associated companies, etc.

The carrying amounts of the assets are tested at every closing date. If there is an indication of a need to recognize impairment, the asset's recovery value is calculated. An impairment loss is reported when an asset's carrying amount exceeds its recoverable value. An impairment loss is charged to the income statement.

Recoverable value is fair value less selling expenses or value in use, whichever is the higher. When calculating value in use future cash flows are discounted with a factor that takes into consideration risk-free interest and the risk that is associated with the specific asset.

An impairment loss is recognized when an asset's or cash generating unit's (group of units') carrying amount exceeds its recoverable value. An impairment loss is charged to the income statement. Impairments of assets attributable to a cash generating unit (group of units) is allocated in the first instance to goodwill. Following this, a proportional impairment of the other assets included in the unit (group of units) is made.

Reversal of impairments

An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the recoverable value.

However, impaired goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount following reversal does not exceed the carrying amount that would have been reported, less deductions for depreciation where applicable, had no impairment been made.

Other provisions

A provision is reported in the balance sheet when Folksam General has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

Pensions and similar liabilities

Pension obligations in Folksam comprise individual pension commitments and defined-contribution and defined-benefit pension plans regulated through collective bargaining agreements. The defined-benefits pension plans are secured through provisions to the Coop Pension Foundation or through insurance.

Defined contribution pension plans

Plans in which Folksam's commitments are limited to the fees the company has undertaken to pay are classified as defined contribution pension plans. In such cases the size of the employee's pension depends on the fees the company pays into the plan or to an insurance company and the return on capital the fees generate. Consequently it is the employee who bears the actuarial risk (that the remuneration is lower than expected) and the investment risk (that the invested assets will not be sufficient to provide the expected remuneration). The company's commitments in respect of the fees to the defined contribution plan are reported as expenses in net profit/loss for the year as they are earned by the employee's performing services for the company during a period.

Defined-benefits pension plans

The Group's net liability in respect of defined-benefits plans are calculated separately for each plan through an assessment of the future remuneration the employee has earned through his or her employment both during the current and earlier periods; said remuneration is discounted to a present value. The discount rate is the closing day interest rate on a Swedish housing bond with a maturity that corresponds to the Group's pension obligations. The calculation is made by a qualified actuary using the so-called Projected Unit Credit Method. Moreover, the fair value of any plan assets is also calculated on the reporting date.

Actuarial gains and losses may arise when determining the obligation's present value and the fair value of plan assets. These arise either because the actual outcome deviates from the previously made assumption, or because assumptions have changed. Actuarial gains and losses are reported as income or expenses in other comprehensive income.

The value of pensions and similar obligations carried in the balance sheet corresponds to the obligation's present value at the closing date less deductions for the fair value of plan assets.

When there is a difference between how pension expenses are determined in legal entities and the Group a provision or a receivable is reported in respect of special income tax based on this difference. The present value of the provision or receivable is not calculated.

In-house pensions

In addition to the collective bargaining agreement pensions secured through the Coop Pension Foundation, Folksam has undertaken to compensate 65 per cent of the pay for certain employees who elect to retire at the age of 62. The change in pension obligations is reported through the income statement.

Assets held for sale and wound-up operations

Assets are classified as assets held for sale when the assets will be realized through sales rather than through continued use. This takes place when e.g:

– Folksam has entered into a binding sales contract.

– The board has decided on, and published, a plan for the winding up of an operation and therewith the divestment of its assets.

When classifying an asset as being held for sale it is reported at the lower of the carrying amount and fair value less deductions for selling expenses. A wound-up operation forms part of a company's operation that represents an independent line of business or a material operation within a geographical area or is a subsidiary that was acquired with the exclusive objective of being sold on. No assets were classified as assets held for sale during 2011.

Contingent liabilities (contingent liabilities)

A contingent liability is reported when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence of one or more uncertain future events or when there is an obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required.

Parent company accounting principles

The parent company's annual report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority's regulations and guidelines on annual reports in insurance companies FFFS 2008:26 and its modification rules and the Swedish Financial Reporting Board's recommendation RFR 2. The parent company applies so-called legally limited IFRS which involves application of all International Financial Reporting Standards that have been adopted for application with the limitations pursuant to RFR 2 and Financial Supervisory Authority's regulations. This means that all IFRSs and pronouncements endorsed by the EU must be applied as far as possible within the confines of Swedish law and with regard to the relationship between accounting and taxation.

Differences between the Group's and the parent company's accounting practices

The differences between the Group's and the parent company's accounting practices are described below. The parent company accounting principles described below were applied consistently throughout all periods presented in the parent company's financial statements unless otherwise indicated.

Buildings and land

Both investment properties and owner-occupied properties are reported at fair value in the parent company's balance sheet with changes in value through the income statement.

Subsidiaries and associated companies

Shares in subsidiaries and associated companies are reported in the parent company at cost less deductions for necessary impairments. Transaction expenditures are included in the carrying amount for holdings in subsidiaries and associated companies. Transaction expenditures attributable to subsidiaries are reported directly in earnings as they arise. Group contributions and shareholder contributions are reported as an increase in the value of the participation in the balance sheet. IAS 36 Impairment of Assets is applied in order to determine whether or not there is a need to recognize impairments of investments in Group companies and subsidiaries. To calculate solvency capital, Group companies and associated companies are measured at fair value primarily through the net asset value method. A deeper analysis of the company's value that also takes cash flow, future earnings, brands and a valuation of the customer base into consideration, is made in connection with acquisitions or other structural changes.

All dividends are reported as income.

Defined-benefits pension plans

The parent company applies different principles for reporting defined-benefits pension plans than those described in IAS 19. The parent company follows the Swedish Pension Obligations Vesting Act's regulations and Swedish Financial Supervisory Authority's regulations as the right to tax deductions is contingent upon them. The most substantial difference compared to the rules in IAS 19 is how discount rates are determined, that the calculation of the defined-benefits obligation takes place based on the current pay level without assumptions about future pay increases and that all actuarial gains and losses are reported in the income statement as they arise.

Taxes
Untaxed reserves including deferred tax liabilities are reported in the parent company. However, in the consolidated financial statements untaxed reserves are split into deferred tax liabilities and equity.

Group contributions and shareholder contributions to legal entities
Group contributions are reported according to the new accounting principles described in RFR 2 IAS 18 para 3 (Group contributions received) and RFR 2 IAS 27 para 2 (Group contributions rendered). This means that the Group contributions the company receives from subsidiaries are reported according to the same principles as dividends from subsidiaries Group contributions the company renders to subsidiaries are reported as investments in shares in subsidiaries.

Description of the nature and purpose of reserve items under equity
Equity in untaxed reserves
The equity component of untaxed reserves (73.7 per cent) is reported in the consolidated financial statements as Equity in untaxed reserves.

Statutory reserve
The purpose of the statutory reserve was to save the part of the net profit not used to cover loss brought forward. Provisions to the statutory reserve are no longer a requirement.

Equity method reserve
Amounts stemming from participations in associated companies reported at a higher value than in the most recent balance sheet to apply the equity method are reported under this item.

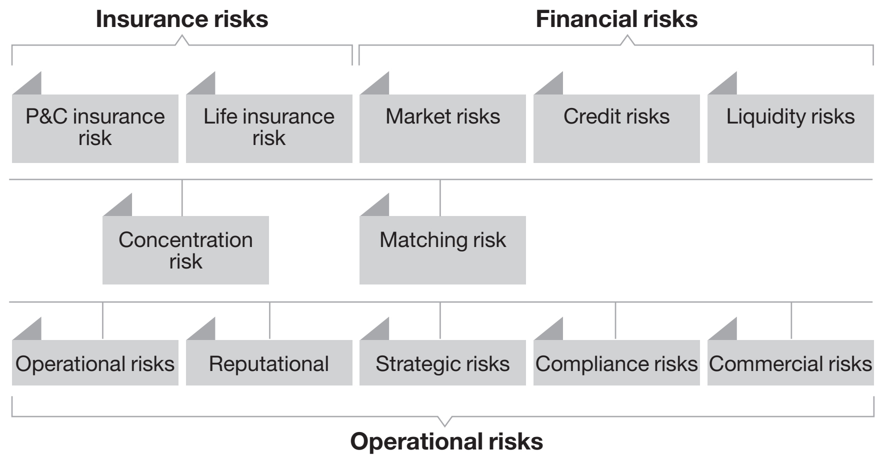
Loss brought forward
Losses brought forward in the Group consist of profit/loss for the year and the previous year's losses brought forward after any dividends paid to minority owners. The board submits dividend proposals. The size of the profits allocation is determined by the AGM.

Note 2 Disclosures regarding risks

Disclosures regarding risks
Risk and risk management are central parts of operations in insurance companies. This note includes a description of Folksam General's risk management and quantitative and qualitative disclosures about insurance risks, financial risks, concentration risks, matching risks and operational risks.

Overall risk management
The ability to identify, prevent and manage risks is becoming ever more important for companies Risk management provides preparedness and the ability to plan and implement risk management activities that increase the ability to achieve the company's goals. Risks that are properly managed can lead to new opportunities and the creation of value, while risks that are not properly managed can lead to major losses and costs. At Folksam risks are managed in a comprehensive, uniform manner based on an overall view of the risk situation. The purpose of risk management is to capture all of the significant risks associated with the organization and its current and future operations.

- Good risk management allows the board and managing director to gain an all-round, objective picture of the total risk situation which increases understanding and knowledge of risks and our ability to achieve our goals.
- By pursuing overall risk management in a uniform, structured manner we increase understanding and knowledge within the company about the risks and opportunities that affect the company.
- Through risk management we are able to affect and adapt the risk level so that our capital base is adequate in relation to the risk situation and we are also able to limit deviations from anticipated financial results.



The Risk Management Process

Folksam's risk management process constitutes an important component in overall risk management. The risk management process acts as a support in the balance between taking risks and the ability to achieve established goals and is therefore an important part of overall risk management. The risk management process is divided into steps in order to identify, evaluate, manage, monitor and report all material risks.

Identification

A uniform, systematic manner is used to identify and chart risks in accordance with the company's risk classification system. The identification of risks seeks to discover and clarify all material risks an organization is exposed to in the short and long terms. Identified risks must be described, registered and classified. All risks are linked to information about the units and companies affected. All identified risks are assigned risk owners, and measures for managing and preventing risks are drawn up.

Evaluation

The company must always strive to evaluate identified risks. In order for risks to be aggregated into a picture that covers the total risk situation (i.e. a risk profile) they must be evaluated. Risks are evaluated in a uniform manner and quantified, where possible, using generally accepted methods. Risks can be evaluated more or less precisely and thoroughly, and depending on the type of risk, an evaluation is either quantitative (measured) or qualitative (estimated). By quantitative evaluation (measurement) we mean an estimate that is a numerical calculation or rough calculation. By qualitative evaluation (assessment) we mean an assessment that is an overall estimate of a risk's effect. The qualitative assessment might for example be based on an evaluation of the risk from two standpoints such as what effect will the event have if it occurs and what is the probability that it will occur? The Swedish Financial Supervisory Authority's traffic light system for measuring risks is used to evaluate insurance risks and financial risks (market risks and credit risks). In order to calculate how much capital the company must have to cover risks according to the traffic light system, a number of predefined stress scenarios are executed. The different scenarios illustrate the company's total capital requirement in relation to the company's capital buffer.

Management

The type of risk management required depends on the nature of the risk, but common to them all is the need for regulations, processes and control activities. Measures that form part of risk management are planned and implemented to manage or limit risks. It is the responsibility of operational and company management to prioritize planned measures based on the benefit they will bring the organization. One of three risk management decisions must be taken, namely to accept, monitor or mitigate a risk. The risk management decision should be made based on anticipated implementation costs and expected benefits.

The effectiveness of risk management is expressed through the effect of the measures proposed, such as whether the risk will be eliminated or to what extent it will be mitigated.

Monitoring

Monitoring includes the day-to-day supervision of risks and measures, and ensuring that risks are e.g. within approved limits. It is presumed that the business operation will establish the processes and procedures necessary for following up the risk assignment. It is the responsibility of the business operation to ensure that risks and measures are monitored constantly.

Reporting

All material risks associated with the organization and its current and future operations must be reported to the board and MD on a continuous basis in order to provide an all-round, objective picture of the total risk situation. Aggregated risk is described in written reports. The risks, along with the measures associated with them, shall be monitored continuously. Joint monitoring also takes place in order to gain a shared view of the risk situation.

Organization and division of responsibilities

Organization and responsibility

In order to clarify management and responsibility for risk management and control, activities are split into three lines of responsibility.

Lines of responsibility

The first line of responsibility consists of units in parent companies and subsidiaries and outsourced operations. This means that the first line: is responsible for leading operations so that objectives established by the board are achieved, for owning and managing risks, i.e. for risk management activities such as the identification, evaluation and management of risks, for monitoring risk management activities and ensuring compliance with regulations.

The second line of responsibility consists of management and control functions; it supports, advises and follow-up the first line based on internal management and control. This means that the second line, among other things:

- establishes and upholds rules and regulations including principles and frameworks for internal management and control,
- is responsible for having an overall, aggregated picture of the risk situation, including internal controls in respect of management, risk management and compliance with regulations,
- supports and advises the first line of responsibility in the interpretation, im-

plementation and compliance with regulations including principles and frameworks,
- reviews and follows up the first line of responsibility and
- reports to the board, the MD and other stakeholders.

The third line of responsibility consists of the internal audit, which reviews and evaluates internal management and controls, including risk management, on behalf of the board.

Responsibilities and roles
The responsibility for Folksam's and also Folksam General's risk management is allocated and structured in the following manner:

Board
It is the board's responsibility to ensure that the company's risks are managed and controlled in a satisfactory manner. The board establishes the guidelines that shall apply to risk management and internal controls.

Audit committee
The boards of the parent companies Folksam General and Folksam Life have appointed an internal audit committee. The audit committee's main assignment is to assist the board with the discharge of its duties and responsibilities in respect of safeguarding the financial accounts and evaluating internal management and controls including risk management for the parent companies and subsidiaries. The committee's assignment within the risk area includes:
- internal management and control
- material risks
- the internal audit process

Group CEO/MD
The MD is responsible for ensuring that there are internal regulations and people in charge of risk management and risk control. The MD is also responsible for ensuring that risk management and follow-up are performed according to said regulations.

Risk committee
The risk committee's responsibility is advisory in issues that concern risk management such as risk categorization and the risk management process and also includes approving the aggregated company risk report.

Risk department
The risk department is responsible for implementing overall risk management and ensuring effective and efficient risk management and independent risk control. The risk department shall provide support and advice in issues concerning effective and efficient joint risk management commensurate with good internal management and control.

The risk department must ensure that there is at least one individual for each company who is in charge of risk (Risk Manager) under the supervision of the Swedish Financial Supervisory Authority, and one for each risk category (Risk Category Manager).

Risk Manager
The Risk Manager is responsible for ensuring effective, efficient company-wide risk management and independent risk control. The Risk Manager shall provide support and advice in issues concerning risk management as part of internal management and control.

Risk Category Manager
The Risk Category Manager is responsible for creating and securing the conditions for effective, efficient risk management and independent risk control for each risk category.

Chief Actuary
The Chief Actuary is responsible for evaluating insurance obligations and preparing and proposing:
- changes to actuarial guidelines
- in consultation with the business manager, changes to actuarial guidelines
- changes to the reserve-setting instruction

Insurance risks

Insurance risks are split into the risk categories *P&C insurance risk* and *life insurance risk*. Each risk category is split into risk types:
- *Underwriting risk*, defined as the risk of losses due to inadequate premiums resulting from unfavourable outcomes in assumptions applied.
- *Provision risk*, defined as the risk of losses due to inadequate premiums resulting from unfavourable outcomes in assumptions applied.

Concentration risk, i.e. the risk of concentrations of risks on the asset or liability side that can lead to losses or negative earnings trends in the case of unfavourable market conditions or events; also applicable when describing insurance risks.

Managing insurance risks

The management and assessment of risks in insurance operations is fundamental for all insurance companies. Correct risk pricing and ensuring fund provisions are adequate safeguards Folksam General's long-term profitability. Just as risk management principles and tools differ for different types of insurance contract, so too do risks. Risks associated with the different types of contract signed by Folksam General are described in the risk concentrations section.

Underwriting risk
Underwriting risk is the risk that the calculated premium and other revenues in the insurance will not correspond to the actual claims and operating expenses associated with the insurance. There are various method of mitigating underwriting risks.

It is important for Folksam General, which has a large exposure to consumer insurance, to constantly review its insurance contract pricing. Documentation to support the analysis is gathered from databases containing information regarding historic exposure and claims outcomes. This information is analysed regularly using various kinds of statistical methods. Price changes that come into force when a contract is renewed are made where necessary.

In addition to pricing Folksam General also constantly reviews insurance conditions and underwriting rules with the aim of diversifying risk selection to cover expenses associated with insurance contracts. In connection with this limits are also set along with other restrictions to ensure that risk selection is adapted to the overall business plan and guidelines approved by the board.

Underwriting risk is generally higher in personal risk insurance than in property insurance because injuries generally take longer to settle and it is therefore more difficult to identify new trends. The long handling time also means that any legislative changes can have greater effects.

In general all insurance contracts run for one year and have an in-built right for the insurer to decline extension or to change the conditions and requirements upon extension.

Folksam General underwrites insurance throughout Sweden in all of the major insurance categories. Thanks to the large number of customers the insurance portfolio is well diversified, but it does have a certain preponderance of group insurances and a deficiency of commercial insurances, the latter being a relatively young business area. Insurances that are tied to group insurance agreements have a good spread in terms of both age groups and geography, which means the concentration risk is limited.

The major holdings of accident and home insurances mean that risks associated with natural disasters are great, but there is a reinsurance programme with a maximum retention of SEK 50 million that is reviewed annually.

Underwriting, disaster and concentration risks are managed by the constant review of pricing, conditions, risk selection and underwriting rules with the objective of promoting stable, predictable cost trends. It is also important to have an adequate reinsurance programme. Folksam has an analysis group tasked with proposing a reinsurance programme suited to the nature and scope of operations every business year. The programme is then approved by company management and the board.

The objective of the reinsurance programme is
- to provide protection against major claims and thus eliminate sharp fluctuations in business outcomes from year to year.
- to cover excess risks in any cases where the company's exposure may exceed approved limits.

For 2011 Folksam has chosen to reinsure its operations primarily through non-proportional reinsurance solutions with retentions adapted to conditions in each respective insurance category. This type of reinsurance reduces Folksam's exposure.

Provision risk
Reserve-setting risk, i.e. the risk of technical provisions being insufficient to cover settlement of claims incurred, is managed primarily through developed actuarial methods and the careful, ongoing monitoring of reported claims and expenditure streams. The provisions are monitored and evaluated on a continuous basis in the regular accounting and forecasting process. Any surplus or loss is reported in its entirety in the income statement as a prior-year claims result.

Different types of claims are managed in different ways and changes in legislation, regulations, procedures or agreements may mean that future claims trends differ from historic trends. Liability and personal claims are relatively rare and take a long while to settle which means they are difficult to estimate and assessments are hampered by e.g. differences in inflation rates and mortality over time. On the other hand, property claims are much more common and have significantly shorter settlement times, which makes estimates more certain. Major claims events such as storms may however make estimates more difficult. It is often a case of unique events where historical information and knowledge is not always applicable.

Sensitivity to risks attributable to insurance contracts

P&C insurance
Provisions for property and casualty insurance are sensitive to changes in the material assumptions mentioned above. Sensitivity to changes in any of these assumptions is difficult to quantify, e.g. changes in the settlement of third party vehicle insurance. The sensitivity analysis was performed by measuring the effects of gross and net provisions (excluding personal injury annuities and provisions for future claims settlement expenses), earnings before tax and equity by reasonably probable changes in a number of central assumptions. The effects were measured assumption by assumption with the other assumptions as constants. However, no consideration was given to any correlations between assumptions.

Group Assumption	Change in assumption, %	Provisions, gross	Earnings before tax	Equity
2011				
Technical provisions		14 459		
Average claims expense	+10%	15 904	-1 446	-1 446
Average number of claims	+10%	15 904	-1 446	-1 446
2010				
Technical provisions		14 700		
Average claims expense	+10%	16 170	– 1 470	– 1 470
Average number of claims	+10%	16 170	– 1 470	– 1 470

Assumption	Change in assumption, %	Provisions, net	Earnings before tax	Equity
2011				
Technical provisions		14 390		
Average claims expense	+10%	15 835	– 1 446	– 1 446
Average number of claims	+10%	15 835	– 1 446	– 1 446
2010				
Technical provisions		13 804		
Average claims expense	+10%	15 274	– 1 470	– 1 470
Average number of claims	+10%	15 274	– 1 470	– 1 470

Parent company Assumption	Change in assumption, %	Provisions, gross	Earnings before tax	Equity
2011				
Technical provisions		13 434		
Average claims expense	+10%	14 777	– 1 343	– 1 343
Average number of claims	+10%	14 777	– 1 343	– 1 343
2010				
Technical provisions		13 710		
Average claims expense	+10%	15 081	– 1 371	– 1 371
Average number of claims	+10%	15 081	– 1 371	– 1 371

Assumption	Change in assumption, %	Provisions, net	Earnings before tax	Equity
2011				
Technical provisions		13 371		
Average claims expense	+10%	14 714	– 1 343	– 1 343
Average number of claims	+10%	14 714	– 1 343	– 1 343
2010				

Personal injury annuities

The sensitivity analysis was performed by measuring the effects of gross and net provisions and earnings before tax and equity by reasonably probable changes in a number of central assumptions. The effects were measured assumption by assumption with the other assumptions as constants. However, no consideration was given to any correlations between assumptions. Note that changes in the assumptions below are non-linear. Sensitivity information is also dependent on financial circumstances such as the cost and time value of options and guarantees associated with the contract. The method used to measure sensitivity was changed in one respect compared to the previous period. Personal injury annuity sensitivity to length of life assumptions was measured with a reduction in mortality of 20 per cent.

Group Assumption	Change in assumption, %	Provisions, gross	Earnings before tax	Equity
2011				
Technical provisions		3 920		
Increased length of life	–	4 622	– 702	– 702
Reduced interest rate	–1 percentage point	4 106	– 186	– 186
Increased inflation	+1 percentage point	3 959	– 39	– 39
2010				
Technical provisions		3 268		
Increased length of life	-20%	3 718	– 451	– 451
Reduced interest rate	–1 percentage point	3 714	– 446	– 446
Increased inflation	+1 percentage point	3 300	– 32	– 32

Parent company Assumption	Change in assumption, %	Provisions, gross	Earnings before tax	Equity
2011				
Technical provisions		3 901		
Reduced mortality	-20%	4 600	– 698	– 698
Reduced interest rate	– 1 percentage point	4 086	– 185	– 185
Increased inflation	+1 percentage point	3 940	– 39	– 39
2010				
Technical provisions		3 248		
Increased length of life	-20%	3 696	– 448	– 448
Reduced interest rate	–1 percentage point	3 691	– 443	– 443
Increased inflation	+1 percentage point	3 280	– 32	– 32

Group, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total
Estimated final claims expense at the end of the claims year (gross)		5 191	5 149	5 191	5 658	6 351	6 730	34 270
One year later		5 196	5 131	5 164	5 654	6 378		
Two years later		5 122	5 068	5 169	5 567			
Three years later		5 028	5 057	5 116				
Four years later		5 029	5 040					
Five years later		5 037						
Estimated final claims expense 31/12/2011	**-**	**5 037**	**5 040**	**5 116**	**5 567**	**6 378**	**6 730**	
Accumulated claims paid		4 205	4 196	4 152	4 688	4 930	3 589	25 760
Provision for unsettled claims	6 347	832	844	964	879	1 448	3 142	14 456
Accumulated surplus/loss		154	109	75	91	-27		
Ditto as % of the initial claim expense		3.0%	2.1%	1.4%	1.6%	-0.4%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6 347	832	844	964	879	1 448	3 142	14 456
Discount effect								471
Total provisions for unsettled claims reported in the balance sheet (gross)								**13 985**

Group, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total
Estimated final claims expense at the end of the claims year (net)		5 180	5 129	5 189	5 646	6 316	6 720	34 181
One year later		5 176	5 080	5 168	5 645	6 316		
Two years later		5 091	5 018	5 169	5 559			
Three years later		4 999	5 005	5 119				
Four years later		5 000	4 990					
Five years later		5 009						
Estimated final claims expense 31/12/2011	**-**	**5 009**	**4 990**	**5 119**	**5 559**	**6 316**	**6 720**	
Accumulated claims paid		4 177	4 148	4 157	4 681	4 875	3 588	25 625
Provision for unsettled claims	6 301	832	842	963	878	1 441	3 132	14 387
Accumulated surplus/loss		172	139	70	88	1		
Ditto as % of the initial claim expense		3,3%	2,7%	1,4%	1,6%	0,0%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6 301	832	842	963	878	1 441	3 132	14 387
Discount effect								471
Total provisions for unsettled claims reported in the balance sheet (net)								**13 916**

Parent company, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total

Actual claims demand compared to previous estimates

The adjacent tables show the estimated total gross and net expenses for unsettled claims, reported and IBNR alike, at the end of each claims year. The tables also show disbursements attributable to these claims. The discount effect is shown at the bottom of each table.

	All previous years	2006	2007	2008	2009	2010	2011	Total
Estimated final claims expense at the end of the claims year (gross)		4 643	4 634	4 622	5 013	5 458	5 729	30 099
One year later		4 648	4 615	4 604	5 013	5 470		
Two years later		4 581	4 548	4 604	4 929			
Three years later		4 501	4 548	4 550				
Four years later		4 501	4 538					
Five years later		4 515						
Estimated final claims expense 31/12/2011	**-**	**4 515**	**4 538**	**4 550**	**4 929**	**5 470**	**5 729**	
Accumulated claims paid		3 726	3 733	3 663	4 116	4 169	3 029	22 436
Provision for unsettled claims	6 175	789	805	887	813	1 300	2 701	13 470
Accumulated surplus/loss		128	96	72	85	-12		
Ditto as % of the initial claim expense		2,8%	2,1%	1,6%	1,7%	-0,2%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6 175	789	805	887	813	1 300	2 701	13 470
Discount effect								471
Total provisions for unsettled claims reported in the balance sheet (gross)								**12 999**

Parent company, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total
Estimated final claims expense at the end of the claims year (net)		4 635	4 615	4 621	5 010	5 436	5 719	30 037
One year later		4 635	4 566	4 612	5 010	5 428		
Two years later		4 561	4 501	4 612	4 925			
Three years later		4 484	4 501	4 562				
Four years later		4 484	4 492					
Five years later		4 497						
Estimated final claims expense 31/12/2011	**-**	**4 497**	**4 492**	**4 562**	**4 925**	**5 428**	**5 719**	
Accumulated claims paid		3 709	3 689	3 675	4 112	4 132	3 029	22 346
Provision for unsettled claims	6 128	788	803	888	813	1 296	2 691	13 407
Accumulated surplus/loss		137	123	59	85	9		
Ditto as % of the initial claim expense		3.0%	2.7%	1.3%	1.7%	0.2%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6 128	788	803	888	813	1 296	2 691	13 407
Discount effect								471
Total provisions for unsettled claims reported in the balance sheet (net)								**12 936**

Financial risks

Financial risks include the risk categories market risk, credit risk, concentration risk, liquidity risk and matching risk.

The market risk category is defined as the risk of the net value of assets and liabilities falling as a result of changes in market prices. Market risk includes the risk types:

- *Interest rate risk*, defined as the risk of the net value of assets and liabilities falling as a result of changes in market interest rates.
- *Stock price risk*, defined as the risk of the net value of assets and liabilities falling as a result of changes in stock prices.
- *Property price risk*, defined as the risk of the net value of assets and liabilities falling as a result of changes in property prices.
- *Exchange rate risk*, defined as the risk of the net value of assets and liabilities falling as a result of changes in exchange rates.
- *Other market risks*, defined as the risk of the net value of assets and liabilities falling as a result of market changes not included in the above market risks.

The *credit risk* category is divided into the risk types:

- *Spread risk*, the risk that interest-bearing investments with credit risks lose value as a result of changes in the spread of risk-free investments.
- *Counterparty risk*, the risk that a counterparty is unable to fulfil his obligations and that any securities will not cover the receivable which will lead to credit losses.

Concentration risk refers to the risk of concentrations of risk on the asset or liabilities side that can lead to losses or negative earnings trends in unfavourable market conditions or events. Concentration risk can apply to several risk categories.

Liquidity risk refers to the risk of not being able to fulfil payment obligations on the due date without a considerable increase in expenses for obtaining the means of payment.

The *matching risk* category is defined as the risk that the net value of the company's assets and liabilities will fall if the composition of assets does not correspond to that of liabilities. Matching risk can apply to several risk categories.

Managing financial risks

The board bears the ultimate responsibility for the management of the company's assets and sets the operational framework and guidelines. The MD is responsible for the management of the company's assets within the framework and directions given by the board and for the supervision of investment guidelines. The finance committee is the MD's forum for the follow-up of asset management and decisions concerning risk management.

Asset management in Folksam is organized so that it is responsible for day-to-day financial risk management and proposes investment policy. The department is also responsible for all derivative handling with the objective of managing risk within the company at an overall level. The department for responsible ownership is responsible for corporate governance, environmental and ethical analysis and the company's ethical investment regulations. The management of directly owned properties and alternative investments is handled by two separate departments within the Folksam organization. The department for alternative investment is also responsible for the management of indirectly owned properties. Day-to-day shareholding and interest rate management and securities administration is handled by Swedbank Robur.

In order to create independent risk control, follow-up has been organized as described below:

- Folksam's asset management is responsible for proposing investment policy for the board and for day-to-day asset management.
- The Head of Compliance bears chief responsibility for ensuring that follow-up takes place on a daily basis within the boundaries set by the board in investment policy, investment and fund regulations and that infringements are reported to the board and MD in the company concerned.
- Swedbank Robur is responsible for daily control of current investment regulations and that the result of such checks are reported to the Compliance department, Risk department and Folksam's asset management.

Management principles

The management objective for the assets is to contribute in the best way to a stable, competitive premium under current risk and investment restrictions. The board has expressly stated that the risk level in the company may not be so high as to prevent a green light in the Financial Supervisory Authority model. The choice of investment policy and composition of the asset portfolio is made based on the fact that the company must cope with very weak financial market trends.

Compliance with legal restrictions regarding liability coverage and solvency has the highest priority when selecting investment portfolio. Only then may the company's internal risk preferences and business objectives be considered. Further limitations in investment asset policy concern Folksam's vision whereby the company shall contribute to a sustainable society in which the individual feels secure and where Folksam places ethical demands on companies in which investments are made. Only then may the company's internal risk preferences and business objectives be considered.

The approved investment policy then serves as the basis for asset management. Administrators may, within certain boundaries, deviate from the investment policy if it is considered beneficial for returns.

Portfolio structure

The total asset portfolio in Folksam General consists of six sub portfolios – equities, interest, properties, alternative investments, hedging instruments and strategic company holdings. Hedging instruments are investments whose main purpose is to match investment risks in commitments, e.g. interest rate swaps to reduce balance sheet interest rate sensitivity. Strategic company holdings are holdings that are considered to be of special strategic value to the company. The board alone may take decisions regarding investments of this nature. A typical example of such an investment is equity in a subsidiary.

Credit risks

As a matter of policy the company only permits investments in securities with high creditworthiness. Credit and counterparty risk in this part of the operation is therefore considered to be very small. The maximum credit risk (after deductions for the value of securities) the company is exposed to for different categories of financial assets is shown in the following table.

Maximum credit risk exposure, SEK million	Gross	Securities received	Net
Group 2011			
Asset category			
Bonds and other interest-bearing securities	22 440	–	22 440
Other loans	168	80	88
Derivatives	52	–	52
Other financial investment assets	218	–	218
Receivables	630	–	630
Accrued interest income	392	–	392
Group 2010			
Asset category			
Bonds and other interest-bearing securities	18 706	–	18 706
Other loans	168	80	88
Derivatives	19	–	19
Other financial investment assets	206	–	206
Receivables	411	6	405
Accrued interest income	288	–	288
Parent company 2011			
Asset category			
Bonds and other interest-bearing securities	20 807	–	20 807
Other loans	168	80	88
Derivatives	52	–	52
Other financial investment assets	218	–	218
Receivables	633	–	633
Accrued interest income	365	–	365
Parent company 2010			
Asset category			
Bonds and other interest-bearing securities	17 288	–	17 288
Other loans	168	80	88
Derivatives	19	–	19
Other financial investment assets	206	–	206
Receivables	416	6	410
Accrued interest income	270	–	270

Credit quality of financial asset categories, SEK million	AAA	AA	A	BBB	BB	No rating	Total
Group 2011							
Bonds and other interest-bearing securities (including accrued interest)	20 162	1 879	592	117	–	72	22 822
	20 162	1 879	592	117	–	72	22 822
Group 2010							
Bonds and other interest-bearing securities (including accrued interest)	16 967	1 627	231	116	–	62	19 003
Loans	–	–	–	–	–	168	168
	16 967	1 627	231	116	–	230	19 171
Parent company 2011							
Bonds and interest-bearing securities (including accrued interest)	18 685	1 768	519	117	–	72	21 161
	18 685	1 768	519	117	–	72	21 161
Parent company 2010							
Bonds and interest-bearing securities (including accrued interest)	15 655	1 516	208	116	–	62	17 557
Loans	–	–	–	–	–	168	168
	15 655	1 516	208	116	–	230	17 725

Other financial assets have no rating

The carrying amount of the financial assets that otherwise would be reported as mature or impaired and whose conditions were renegotiated, or which are either mature or impaired was negligible on closing date.

Concentration risk

The company's greatest concentration risk consists of its shareholding in Swedbank. This concentration risk is considered when deciding on investment policy, especially when putting together the company's share portfolios. Other concentration risks are considered to be low in relation to market risks, partly because of the creditworthiness required for an investment to be implemented, and also the diversification that arises trough the company's investment policy. In general, investments must be able to be used as liability cover which also means that the risk for excessive individual exposure is kept low.

Significant concentrations of credit risk

As of 31/12/2011 the company had the following major exposures (for interest-bearing securities, equities, derivatives and other financial investment assets):

Group 2011	Total	Of which secured housing bonds
Swedbank	7 978	4 469
Svenska Handelsbanken	4 345	4 252
Nordea	2 971	2 783
SBAB	855	833
SEB	442	325
TeliaSonera	220	–
Landshypotek	212	212
SCA	117	–

Group 2010	Total	Of which secured housing bonds
Swedbank	6 963	2 934
Svenska Handelsbanken	3 452	3 409
Nordea	2 597	2 492
SBAB	763	763
Selskabet – Falck	373	–
SEB	298	222
TeliaSonera	218	–
Landshypotek	207	207
SCA	116	–
Kfs Holding	88	–

Parent company 2011	Total	Of which secured housing bonds
Swedbank	7 436	4 217
Svenska Handelsbanken	4 013	4 014
Nordea	2 748	2 626
SBAB	793	793
SEB	379	309
TeliaSonera	209	–
Landshypotek	212	212
SCA	117	–

Parent company 2010	Total	Of which secured housing bonds
Swedbank	6 600	2 751
Svenska Handelsbanken	3 187	3 188
Nordea	2 400	2 328
SBAB	715	715
Selskabet – Falck	373	–
SEB	284	209
TeliaSonera	208	–
Landshypotek	207	207
SCA	116	–
Kfs Holding	88	–

Credit risk in reinsurance receivables and the reinsurer's share of unsettled claims
Folksam General's reinsurance policy means that contracts may only be signed with reinsurers with credit rating A or higher. Reinsurer creditworthiness is reviewed regularly in order to ensure that the approved reinsurance cover is maintained. If a company is downgraded during the year following a contractual year it is difficult to replace the downgraded reinsurer since a major part of the reinsurance contract has extreme reach as in e.g. Swedish auto insurance. It can take up to 25 to 30 years before an auto claim is finally settled. The table below shows the distribution of credit ratings for external reinsurers

SEK million	AAA	AA	A	BBB	BB	No rating	Total
Group 2011							
Exposure	–	30	39	1	–	50	120
Group 2010							
Exposure	1	981	62	–	–	36	1 080
Parent company 2011							
Exposure	–	26	34	–	–	50	110
Parent company 2010							
Exposure	–	973	46	–	–	35	1 054

Liquidity risks
Liquidity risk refers to the risk of the company not being able to fulfil payment obligations on the due date without a considerable increase in expenses for obtaining the means of payment. The company's liquidity risk is considered to be negligible in the overall risk picture. By investing assets chiefly in quoted securities with high liquidity the investment strategy ensures that the quantity of liquid assets exceeds the company's anticipated payment obligations by a comfortable margin. On the closing date listed securities made up 88 per cent (90) of the Group's investment assets and 88 per cent (86) of the parent company's, of which holdings in interest-bearing investments issued by the Swedish state amounted to 18 per cent (17), equivalent to SEK 5,335 million (4,372) in the Group and 19 per cent (16) in the parent company, equivalent to SEK 5,380 million (4,100). The average duration of interest-bearing assets amounted to 3.1 years (3.6) in the Group and 3.1 (3.6) in the parent company.

The average duration for insurance liabilities for the entire portfolio in the group is 5.5 years (5.4) and 5.7 (5.3) in the parent company as of 31/12/2011.It is estimated that SEK 3,776 million (3,694) will be paid out from insurance contracts in claims incurred in the Group and SEK 3,346 million (3,415) in the parent company during 2012.

Market risks

Interest rate risk
The table below illustrates how the company is exposed to interest rate risk from fixed-interest terms in interest-bearing assets and liabilities; In the table Group refers to the companies Folksam General, Svenska Konsumentförsäkringar AB (publ) and Tre Kronor Försäkring AB.

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Group 2011						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	3 231	9 905	5 078	3 094	1 514	22 822
Other loans	–	–	319	–	–	319
Other interest-bearing financial instruments, net	192	218	– 92	–	–	318
	3 423	**10 123**	**5 305**	**3 094**	**1 514**	**23 459**
Liabilities and provisions						
Provision for unsettled claims that are discounted	293	476	305	343	252	1 669
Personal injury annuities	213	406	376	669	2 257	3 920
	506	882	681	1 012	2 509	5 589
Net, assets and liabilities	**2 917**	**9 241**	**4 624**	**2 082**	**– 995**	**17 870**

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Group 2010						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	3 655	5 840	6 279	2 170	1 055	19 000
Other loans	–	–	168	–	–	168
Other interest-bearing financial instruments, net	700	–	–	–	–	700
	4 355	**5 840**	**6 447**	**2 170**	**1 055**	**19 868**
Liabilities and provisions						
Provision for unsettled claims that are discounted	311	507	325	365	268	1 776
Personal injury annuities	177	338	314	558	1 881	3 268
Subordinated liabilities	–	–	–	–	–	–
	488	845	639	923	2 149	5 044
Net, assets and liabilities	**3 867**	**4 995**	**5 808**	**1 247**	**– 1 094**	**14 824**

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Parent company 2011						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	2 875	9 215	4 723	2 919	1 429	21 161
Other loans	–	–	319	–	–	319
Other interest-bearing financial instruments, net	187	218	– 92	–	–	313
	3 062	**9 433**	**4 950**	**2 919**	**1 429**	**21 793**
Liabilities and provisions						
Provision for unsettled claims that are discounted	293	476	305	343	252	1 669
Personal injury annuities	212	404	375	666	2 246	3 903
Subordinated liabilities	–	–	–	–	–	–
Capital guarantee	–	–	–	–	–	–
	505	880	680	1 009	2 498	5 572
Net, assets and liabilities	**2 557**	**8 553**	**4 270**	**1 910**	**– 1 069**	**16 221**

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Parent company 2010						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	3 342	5 430	5 818	1 994	973	17 557
Other loans	–	–	168	–	–	168
Other interest-bearing financial instruments, net	672	–	–	–	–	672
	4 014	**5 430**	**5 986**	**1 994**	**973**	**18 397**
Liabilities and provisions						
Provision for unsettled claims that are discounted	311	507	325	365	268	1 776
Personal injury annuities	176	336	312	554	1 870	3 248
Subordinated liabilities	–	–	–	–	–	–
Capital guarantee	–	–	–	–	–	–
	487	843	637	919	2 138	5 024
Net, assets and liabilities	**3 527**	**4 587**	**5 349**	**1 075**	**– 1 165**	**13 373**

	Group		Parent company	
Sensitivity analysis – interest rate risk, SEK million	**2011**	**2010**	**2011**	**2010**
Risk parameter				
Increase in market interest rates				
Decrease in value, interest-bearing assets	– 208	– 527	– 196	– 484
Decrease in carrying amount of interest-bearing liabilities (including realistically valued insurance liabilities)	363	645	347	618
Net impact, earnings for the year	115	122	111	133
Net impact, equity	115	122	111	133
Reduction of market interest rate				
Increase in value, interest-bearing assets	200	558	187	514
Increase in carrying amount of interest-bearing liabilities (including realistically valued insurance liabilities)	– 163	– 707	– 146	– 677
Net impact, earnings for the year	26	– 154	31	– 163
Net impact, equity	26	– 154	31	– 163

The interest rate changes calculated for the 2011 sensitivity analysis for nominal and real market rates are reductions of 0.49 (0.98) and 0.07 (0.42) percentage points respectively . These levels are also used in calculations for the Financial Supervisory Authority traffic light.

Exchange rate risk

The company's currency exposure before and after hedging with derivatives is shown in the table below.

Exchange rate exposure	USD	EUR	GBP	CAD	CHF	Other
Group 2011						
Investment assets						
Shares and participations	874	–	134	68	54	458
Property	–	–	–	–	–	211
Bonds and other interest-bearing securities	–	–	–	–	–	78
Other financial investment assets	–	–	–	–	–	175
Other assets	18	–	1	–	–	817
Total assets	**892**	**–**	**135**	**68**	**54**	**1 739**
Other liabilities and provisions	– 14	–	–	–	–	– 22
Total liabilities and provisions	– 14	–	–	–	–	– 22
Net exposure *before* financial hedging with derivatives	878	–	135	68	54	1 717
Nominal value, forward exchange rate contracts	790	–	154	–	–	– 1 787
Net exposure *after* financial hedging with derivatives	**1 668**	**–**	**289**	**68**	**54**	**– 70**

Exchange rate exposure	USD	EUR	GBP	JPY	DKK	Other
Group 2010						
Investment assets						
Shares and participations	962	296	147	170	381	251
Property	–	176	–	–	–	–
Bonds and other interest-bearing securities	–	110	–	–	12	–
Other assets	9	557	1	–	1	1
Total assets	**971**	**1 139**	**148**	**170**	**394**	**252**
Other liabilities and provisions	– 1	–	–	–	–	–
Total liabilities and provisions	– 1	–	–	–	–	–
Net exposure *before* financial hedging with derivatives	970	1 139	148	170	394	252
Nominal value, forward exchange rate contracts	– 541	– 325	–	–	–	–
Net exposure *after* financial hedging with derivatives	429	814	148	170	394	252

Exchange rate exposure	USD	EUR	GBP	CAD	CHF	Other
Parent company 2011						
Investment assets						
Shares and participations	868	–	134	68	54	458
Property	–	–	–	–	–	211
Bonds and other interest-bearing securities	–	–	–	–	–	78
Other financial investment assets	–	–	–	–	–	175
Other assets	19	–	1	–	–	817
Total assets	**887**	**–**	**135**	**68**	**54**	**1 739**
Other liabilities and provisions	– 14	–	–	–	–	– 22
Total liabilities and provisions	– 14	–	–	–	–	– 22
Net exposure *before* financial hedging with derivatives	872	–	135	68	54	1 717
Nominal value, forward exchange rate contracts	790	–	154	–	–	– 1 787
Net exposure *after* financial hedging with derivatives	**1 662**	**–**	**289**	**68**	**54**	**– 70**

Exchange rate exposure	USD	EUR	GBP	JPY	DKK	Other
Parent company 2010						
Investment assets						
Shares and participations	955	296	147	170	381	251
Property	–	176	–	–	–	–
Bonds and other interest-bearing securities	–	110	–	–	12	–
Other financial investment assets	–	–	–	–	169	–
Other assets	9	557	1	–	1	1
Total assets	**964**	**1 139**	**148**	**170**	**563**	**252**
Other liabilities and provisions	– 1	–	–	–	–	–
Total liabilities and provisions	– 1	–	–	–	–	–
Net exposure *before* financial hedging with derivatives	963	1 139	148	170	563	252
Nominal value, forward exchange rate contracts	– 541	– 325	–	–	–	–
Net exposure *after* financial hedging with derivatives	**422**	**814**	**148**	**170**	**563**	**252**

Sensitivity analysis – exchange rate risk
An unfavourable change of 10 per cent in the company's net exposure to foreign currency (after financial hedging with derivatives) will affect earnings before tax as shown in the table below.

	Group		Parent company	
	2011	**2010**	**2011**	**2010**
USD	– 167	– 43	– 166	– 42
GBP	– 29	– 15	– 29	– 15
EUR[1)]	–	– 81	–	– 81
CAD	– 7	–	– 7	–
CHF	– 5	–	– 5	–
Other	7	– 81	7	– 98

1) In 2011 EUR is included under the item Other.

Sensitivity analysis – share price risk, property price risk and other market risk
The table below shows the effect of a price fall of 40 per cent in respect of Swedish equities and 35 per cent in respect of foreign equities and properties. These stress levels are also used in the Financial Supervisory Authority traffic light test.

	Group		Parent company	
SEK million	**2011**	**2010**	**2011**	**2010**
Shares	– 1 629	– 1 836	– 1 565	– 1 758
Associated companies and subsidiaries	– 137	– 14	– 337	– 314
Property	– 531	– 462	– 531	– 462

Derivatives
During the year trading took place in forward exchange rate contracts, stock-index futures, stock-index options and forward interest rate contracts. Trade in forward exchange rate contracts took place with the purpose of reducing the exchange rate risk in the portfolio. The purpose of the trade in stock-index futures and stock-index options is to render administration more effective. Trade in forward interest rate contracts took place with the aim of adjusting interest rate portfolio risk.

Description of credit risks in derivatives
Credit risk for derivatives refers to the risk that the counterparty is unable to meet his obligations in accordance with the contracts. Credit risk is limited in standardized derivatives to funds in accounts at the clearing account holder. Credit risk is limited in non-standardized derivatives by the counterparties' guaranteeing of all unrealized gains in accordance with ISDA and CSA agreements.

Description of market risks in derivatives
The market risk for derivatives refers to the risk that market value changes as a result of changes in the market of the underlying interest rates, share prices and exchange rates, etc.

Description of liquidity risks in derivatives
Liquidity risk refers to the risk that a given derivative cannot be divested/acquired with major price impact or that the transaction entails major costs. Trade in derivatives only took place in markets with good liquidity, thus the liquidity risk in the holding is low.

Operational risks
Operational risks consist chiefly of risks such as operational risks, commercial risks, strategic risks, compliance risks and reputational risks.

An operational risk risk is defined as a risk of losses resulting from erroneous or ineffective internal processes and procedures, human error, faulty systems or external events including legal risks. An operational risk is thus a possible event that leads to or may lead to a loss for the business. The loss may be as a result of faulty or ineffective internal processes and procedures, human error, faulty systems or external events including departures from contracts. Operational risks are therefore undesirable and must be kept low. Risk-taking is limited to the confines of what is financially defensible. Measures must be implemented to reduce all exposure that is not considered acceptable.

Commercial risk is defined as the risk of losses or negative earnings trends resulting from changed commercial conditions, competitive situation and the inability to react to trends or changes in the industry.

Strategic risk is defined as the risk of losses or negative earnings trends resulting in shortcomings in commercial decisions, failures in the implementation of commercial decisions or the inability to meet market changes and shortcomings in the MD's and boards' planning, organization, follow-up and operational control. It refers also to the risk of an unanticipated outcome due to shortcomings in the MD's and boards' planning, organization, follow-up and operational control. The strategic risks are managed in the first instance by Group management and the boards. The choice of commercial strategies and collaborative partners, resource allocation and business acquisitions are examples of strategic risks.

Reputational risks are defined as the risk of significant financial losses resulting from a loss of standing with customers, partners and authorities. Examples of causes that may contribute to negative publicity are product changes, internal criminality, non-compliance with internal and external regulations, major loss events, unclear information, inadequate crisis management and events associated with sponsorship. Should any of the above occur it could have consequences for the Folksam brand and our financial results.

Compliance risk is defined as the risk of judicial sanctions, supervisory sanctions financial losses or reputational losses resulting from operational non-compliance with current legislation and enactments, regulations or other external and internal rules.

Managing operational risks

The identification of operational risks, commercial risk, strategic risks and reputational risks is included as part of the operational planning process. The identification and valuation of these risk categories takes place primarily through self-evaluation where a qualitative assessment of probability of a risk occurring and its effects is made. In order to control and reduce the risks measures are created for both risk prevention and management. All risks are allocated a risk owner and a person in charge of measures who is responsible for e.g. monitoring risks on a continuous basis.

Information about realized risks is collected systematically in Folksam's incident reporting system. Incidents reported are categorized and evaluated and information about these incidents forms an important part of the above-mentioned self-evaluation. By managing these risks in a coordinated, structured manner the organization's ability to achieve its goals increases.

Note 3.

Premium income, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Direct insurance in Sweden	9 741	9 173	8 325	8 025
Premiums for accepted reinsurance[1)]	2	1	5	6
Premiums for reinsurance	– 46	– 49	– 38	– 42
	9 697	9 125	8 292	7 989
1) Of which reinsurance accepted from Group companies	–	–	4	5

Note 4. Return on assets transferred from financial operations

Capital base is made up of an average of the technical provisions net of reinsurance. The cost of capital used is equivalent to the interest rate on government bonds with a duration that corresponds to the average maturity of the technical provisions (just over 2 and 7 years respectively). Consideration was given to the technical provisions made and the year. The interest rate used varies between 1.7 per cent and 3.6 per cent depending on the product.

Note 5.

Claims incurred, SEK million	2011			2010		
Group						
Claim expenses attributable to operations for the year	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 3 588	–	– 3 588	– 3 167	7	– 3 160
Change in provisions for unsettled claims	– 3 147	15	– 3 132	– 3 184	27	– 3 157
Change in provisions for settlement expenses	28	–	28	38	–	38
Operating expenses, claims settlement	– 677	–	– 677	– 656	–	– 656
Total claim expenses attributable to operations for the year	**– 7 384**	**15**	**– 7 369**	**– 6 969**	**34**	**– 6 935**
Claim expenses attributable to previous year's operations	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 3 104	818	– 2 286	– 2 633	174	– 2 459
Change in provisions for unsettled claims	3 355	– 837	2 518	2 706	– 200	2 506
Personal injury annuities paid	– 193	–	– 193	– 190	–	– 190
Change in provisions for personal injury annuities	– 653	–	– 653	– 187	–	– 187
Total claim expenses attributable to previous year's operations	**– 595**	**– 19**	**– 614**	**– 304**	**– 26**	**– 330**
Total claims incurred	**–7 979**	**– 4**	**–7 983**	**–7 273**	**8**	**–7 265**
Total claims paid	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 6 692	818	– 5 874	– 5 800	181	– 5 619
Personal injury annuities paid	– 193	–	– 193	– 189	–	– 189
Operating expenses, claims settlement	– 677	–	– 677	– 656	–	– 656
Claims paid	**– 7 562**	**818**	**– 6 744**	**– 6 645**	**181**	**– 6 464**
Change in Provisions for unsettled claims	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Change in provisions for claims incurred and reported	238	– 822	– 584	– 170	– 173	– 343
Change in provisions for claims incurred but not reported (IBNR)	– 30	–	– 30	– 308	–	– 308
Change in provisions for personal injury annuities	– 653	–	– 653	– 187	–	– 187
Change in provisions for settlement expenses	28	–	28	38	–	38
Total	**– 417**	**– 822**	**– 1 239**	**– 628**	**– 173**	**– 801**
Total claims incurred	**– 7 979**	**– 4**	**– 7 983**	**– 7 273**	**8**	**– 7 265**

Claims incurred (cont.)	2011			2010		
Parent company						
Claim expenses attributable to operations for the year	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 3 028	–	– 3 028	– 2 699	4	– 2 695
Change in provisions for unsettled claims	– 2 701	10	– 2 691	– 2 759	17	– 2 742
Change in provisions for settlement expenses	27	–	27	40	–	40
Operating expenses, claims settlement	– 587	–	– 587	– 589	–	– 589
Total claim expenses attributable to operations for the year	– 6 289	10	– 6 279	– 6 007	21	– 5 986
Claim expenses attributable to previous year's operations	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 2 719	801	– 1 918	– 2 373	171	– 2 202
Change in provisions for unsettled claims	2 951	– 817	2 134	2 415	– 203	2 212
Personal injury annuities paid	– 193	–	– 193	– 190	–	– 190
Change in provisions for personal injury annuities	– 653	–	– 653	– 188	–	– 188
Total claim expenses attributable to previous year's operations	– 614	– 16	– 630	– 336	– 32	– 368
Total claims incurred	– 6 903	– 6	– 6 909	– 6 343	– 11	– 6 354
Total claims paid	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims paid	– 5 747	801	– 4 946	– 5 072	175	– 4 897
Personal injury annuities paid	– 193	–	– 193	– 190	–	– 190
Operating expenses, claims settlement	– 587	–	– 587	– 589	–	– 589
Claims paid	– 6 527	801	– 5 726	– 5 851	175	– 5 676
Change in Provisions for unsettled claims	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Change in provisions for claims incurred and reported	221	– 807	– 586	– 625	– 186	– 811
Change in provisions for claims incurred but not reported (IBNR)	29	–	29	281	–	281
Change in provisions for personal injury annuities	– 653	–	– 653	– 188	–	– 188
Change in provisions for settlement expenses	27	–	27	40	–	40
Total	– 376	– 807	– 1 183	– 492	– 186	– 678

Note 6.

	Group		Parent company	
Operating expenses, SEK million	**2011**	**2010**	**2011**	**2010**
Specification of income statement item operating expenses				
Acquisition expenses[1)]	– 846	– 747	– 627	– 594
Change of Pre-paid acquisition expenses	12	– 30	5	– 34
Administration expenses [2)]	– 900	– 798	– 845	– 694
Commissions and profit sharing in reinsurance	–	–	–	–
	– 1 734	– 1 575	– 1 467	– 1 322
Other operating expenses				
Claims settlement expenses included in Claims disbursed	– 680	– 656	– 587	– 589
Financial administration expenses included in Return on capital, expenses	– 14	– 26	– 12	– 24
Property management expenses included in Return on capital, expenses	– 4	– 4	– 4	– 4
	– 698	– 686	– 603	– 617
Total, operating expenses	**– 2 432**	**– 2 261**	**– 2 070**	**– 1 939**
1) Of which commissions in direct insurance	– 249	– 226	– 58	– 73
2) Of which commissions paid to Group companies in accepted reinsurance	–	–	–	–
Total operating expenses presented by type of expense				
Direct and indirect personnel expenses	– 1 735	– 1 569	– 1 689	– 1 538
Premises, expenses	– 156	– 158	– 153	– 156
Depreciations	– 41	– 49	– 37	– 37
Commissions and profit sharing in reinsurance	–	–	–	–
Other operational expenses	– 500	– 485	– 191	– 208
	– 2 432	– 2 261	– 2 070	– 1 939

Operational leasing agreements (lessee)

Operational leasing where the company is the lessee refers chiefly to expenses for premises, vehicles and PC equipment.

Total future minimum leasing fees	Group		Parent company	
Maturity dates	**2011**	**2010**	**2011**	**2010**
<1 year	– 137	– 169	– 137	– 169
1-5 years	– 216	– 373	– 216	– 373
<5 years	– 21	– 152	– 21	– 152
Total	– 374	– 694	– 374	– 694
Total leasing fees for the period	– 184	– 190	– 184	– 190
of which minimum leasing fees	– 153	– 164	– 153	– 164

of which variable fees	– 31	– 26	– 31	– 26

	Group		Parent company	
Operating expenses, SEK million (cont.)	**2011**	**2010**	**2011**	**2010**
Fees and expense reimbursements to auditors				
KPMG				
Audit assignment	– 9	– 6	– 8	– 5
Audit activities additional to assignment	–	– 1	–	– 1
Tax advice	–	–	–	–
Other services	– 1	–	– 1	–
Other auditors				
Audit assignment	–	–	–	–
	– 10	– 7	– 9	– 6

Note 7.

	Group		Parent company	
Investment income, SEK million	**2011**	**2010**	**2011**	**2010**
Rental income from buildings and land	71	69	71	69
Dividends received	157	46	152	51
of which other received dividends	157	46	152	43
of which Group contributions	–	–	–	8
Interest income, et c.				
Bonds and other interest-bearing securities	664	562	617	514
Group companies	–	–	–	–
Other interest income	163	15	42	13
of which from financial assets not measured at fair value with changes in value reported via the income statement	163	16	42	13
Reversed impairment charges				
Shares and participations	–	–	–	–
Other investment assets	37	2	–	–
Exchange rate gains, net	119	–	119	–
Capital gains, net				
Buildings and land	–	–	–	–
Shares and participations	542	13	540	7
Interest-bearing securities	97	192	80	180
Other investment assets	1	–	1	–
	1 851	899	1 622	834

Operational leasing agreements (lessor)

Operational leasing where the company is the lessor refers to income from premises.

Total future minimum leasing fees	Group		Parent company	
Due date	**2011**	**2010**	**2011**	**2010**
<1 year	87	115	87	115
1-5 years	188	254	188	254
<5 years	43	12	43	12
	318	381	318	381

	Group		Parent company	
(cont.)	**2011**	**2010**	**2011**	**2010**
Total leasing fees for the period	113	115	113	115
of which minimum leasing fees	100	99	100	99
of which variable fees	13	16	13	16

Note 8.

	Group		Parent company	
Unrealized gains from investment assets, SEK million	**2011**	**2010**	**2011**	**2010**
Buildings and land	82	54	112	49
Shares and participations	–	1 198	–	1 182
Bonds and other interest-bearing securities	816	–	755	–
Other financial investment assets	10	53	10	53
	908	1 305	877	1 284

Note 9.

	Group		Parent company	
Return on capital, expenses, SEK million	**2011**	**2010**	**2011**	**2010**
Operating expenses, buildings and land	– 45	– 46	– 45	– 46
Asset management expenses	– 14	– 26	– 12	– 24
Interest expenses, et c.				
Group companies	–	–	–	–
Other interest expenses	– 186	– 51	– 62	– 51
of which from financial liabilities not measured at fair value with changes in value reported via the income statement	– 186	– 52	– 62	– 51
Depreciations and impairment charges				
Shares and participations	– 2	–	– 10	– 53
Other investment assets	–	– 2	–	–
Exchange rate losses, net	–	– 23	–	– 23
Capital losses, net				
	– 247	– 148	– 129	– 197

Note 10.

	Group		Parent company	
Unrealized losses from investment assets, SEK million	**2011**	**2010**	**2011**	**2010**
Shares and participations	– 705	–	– 683	–
Bonds and other interest-bearing securities	–	– 339	–	– 308
	– 705	– 339	– 683	– 308

Note 11. Net profit or net loss per financial instrument category

Group, 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, associated companies	–	–	11	11
Shares and participations	– 28	–	–	– 28
Other loans	–	–	12	12
Bonds and other interest-bearing securities	1 582	–	–	1 582
Derivates, net	–	123	–	123
Other financial investment assets	25	–	3	28
Other receivables	–	–	6	6
	1 579	**123**	**32**	**1 734**

Financial liabilities, SEK million	Holdings for trade purposes	Other liabilities	Total
Other liabilities	-	-3	-3
	-	**-3**	**-3**

Group, 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Shares and participations	1 162	–	–	1162
Bonds and other interest-bearing securities	480	–	–	480
Other financial investment assets	57	–	–	57
Other receivables	–	–	29	29
	1 699	**–**	**29**	**1 728**

Financial liabilities, SEK million	Holdings for trade purposes	Other liabilities	Total
Derivates, net	– 6	–	– 6
Other liabilities	–	– 20	– 20
	– 6	**– 20**	**– 26**

Note 11. Net profit or net loss per financial instrument category (cont.)

Parent company, 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	 Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, associated companies	–	–	11	11
Shares and participations	– 14	–	–	– 14
Other loans	–	–	12	12
Bonds and other interest-bearing securities	1 459	–	–	1 459
Derivates, net	–	122	–	122
Other financial investment assets	25	–	3	28
Other receivables	–	–	5	5
	1 470	**122**	**31**	**1 623**

Financial liabilities, SEK million	Holdings for trade purposes	Other liabilities	Total
Other liabilities	–	– 3	– 3

Parent company, 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	 Holdings for trade purposes	Loan receivables	Total
Shares and participations	1 136	–	–	1 136
Bonds and other interest-bearing securities	446	–	–	446
Other financial investment assets	57	–	–	57
Other receivables	–	–	28	28
	1 639	**–**	**28**	**1 667**

Financial liabilities, SEK million	Holdings for trade purposes	Other liabilities	Total
Derivates, net	– 1	–	– 1
Other liabilities	–	– 6	– 6
	– 1	**– 6**	**– 7**

Note 12.

Appropriations, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Change in contingency reserve	–	–	– 1 144	– 809

Note 13.

Taxes, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Tax on current year's earnings				
Current tax expense	– 12	–	–	–
Deferred tax expense/revenue	– 381	– 427	– 60	– 231
	– 393	– 427	– 60	– 231
Specification of current tax expense				
Tax expense for the period	– 12	–	–	–
	– 12	–	–	–
Specification of deferred tax expense/revenue				
Deferred tax expense in respect of temporary differences	– 381	– 427	– 60	– 231
Deferred tax revenue loss carryforward activated during the year	–	–	–	–
	– 381	– 427	– 60	– 231
Reconciliation of effective tax rate regarding income tax				
Earnings before tax	1 749	1 713	241	942
Parent company tax according to current tax rate	– 459	– 450	– 63	– 248
Other non-deductible expenses/tax-exempt income	77	15	–	– 2
Tax effect as a result of utilization of a loss carryforward not previously activated	–	9	–	–
Tax effect resulting from an increase in loss carryforwards without a corresponding activation of deferred tax	–	– 1	–	–
Group contributions rendered	–	–	3	18
Tax effect attributable to previous years and changed tax rates	– 11	–	–	–
	– 393	– 427	– 60	– 231

Taxes, SEK million (cont.)	2011			2010		
Tax attributable to other comprehensive income, Group	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Actuarial gains and losses including income tax	– 676	178	– 498	335	– 87	248

Note 14.

Intangible assets, SEK million	Goodwill 2011	Goodwill 2010	Software and other intangible assets 2011	Software and other intangible assets 2010
Group				
Accumulated acquisition costs				
Opening balance	30	29	481	375
Investments	-	-	74	106
Closing balance	30	29	555	481
Accumulated depreciations				
Opening balance	–	–	– 311	– 235
Depreciations for the year	–	–	– 74	– 76
Closing balance	–	–	– 385	– 311
Carrying amounts	**30**	**29**	**170**	**170**
Depreciations for the year are included in the income statement lines shown below				
Operating expenses	–	–	-74	-76

Goodwill in the amount of SEK 30 million refers to the subsidiary Tre Kronor Försäkring AB acquired in 2007. Goodwill is tested annually to identify any need to recognize impairment. Acquired operations are integrated into other operations following acquisition. Tests are therefore carried out concerning any need for impairment on the smallest possible cash-generating unit. The recoverable value of cash-generating units is based on their value in use. These values are founded on estimated future cash flows based on business plans, budgets and prognoses approved by company management for the next three years. Cash flows beyond the three year period are extrapolated using estimated annual growth. The management yield requirement is applied as the theoretical discount rate.

Note 14. Intangible assets, SEK million (cont.)

	Software and other intangible assets	
	2011	**2010**
Parent company		
Accumulated acquisition costs		
Opening balance	461	356
Investments	75	106
Closing balance	536	461
Accumulated depreciations		
Opening balance	– 298	– 225
Depreciations for the year	– 70	– 73
Closing balance	– 368	– 298
Carrying amounts	**168**	**163**

Depreciation is 20 per cent of acquisition cost.

Depreciations for the year are included in the income statement lines shown below		
Operating expenses	– 70	– 73

Note 15.

	Group		Parent company	
Buildings and land, SEK million	**2011**	**2010**	**2011**	**2010**
Market value				
Carrying amount at beginning of year	613	553	999	942
Investments	22	8	22	9
Unrealized changes in value	80	52	112	48
Carrying amount at end of year	715	613	1 133	999
Values presented by operation and investment properties				
Owner-occupied properties				
Acquisition cost at beginning of year			292	291
Investments			-	1
Acquisition cost at end of year			292	292
Carrying amount at end of year			418	388
Investment property				
Acquisition cost at beginning of year	522	514	519	511
Investments	22	8	22	8
Acquisition cost at end of year	544	522	541	519
Carrying amount at end of year	715	613	715	611

Estimated market value Geographical market	Type of property	Contracted annual rent[1]	Operating surplus[2]	Yield, per cent [3]	Market value	Market value[4]	Required yield[5]
Group							
Stockholm and immediate suburbs	Offices and business properties	18	12	4,8%	244	28 290	0 - 6.1 %
Rest of Sweden	Offices and business properties	49	30	6.4%	474	12 760	0 - 7 %
		68	42	5.9%	718	15 686	5.3 - 7 %
Parent company							
Stockholm & Gothenburg with immediate suburbs	Offices and business properties	54	38	5.7%	662	24 844	0 - 6.1 %
Rest of Sweden	Offices and business properties	49	30	6.4%	471	12 680	5.3 - 7.0 %
		104	68	6.0%	1133	17 762	5.3 - 7.0 %

1) Rental contracts as of January 1 converted to full year.
2) Operating surplus converted with rental contract as of January 1
3) Operating surplus converted with rental contract as of January 1 in relation to market value
4) Market value in SEK per sq m floor space (excl garage)
5) Yield requirement applied at valuation.

Average valuation assumptions	
Inflation assumptions	2,0%
Cost of capital residual value	8,0%
Yield, residual value	6,0%
Long-term vacancy rate	5,4%
Operations and maintenance expenses, Year 1	SEK 483/sq m
Investments, Year 1	SEK 76/sq m
Market rent (at zero vacancy rate)	SEK 1,683/sq m

Market value was assessed by means of a cash flow analysis adapted to multi-year market conditions. The calculation period was 5 or 10 years. The method entails an analysis of the anticipated future payment streams (rents, vacancies, operational expenses, etc.) that management of a property can be assumed to generate. A present value calculation of the estimated future payment streams forms part of the cash flow analysis. Comparable property purchases in the districts concerned were analyzed as the basis for a market's yield requirement.

	Group		Parent company	
Effect on earnings for the period	**2011**	**2010**	**2011**	**2010**
Rental income, gross	99	102	99	102
Internal rent	-28	-32	-28	-32
Rental income	71	70	71	70
Direct expenses for properties that generated rental income during the period	-45	-46	-45	-46
	26	24	26	24
Tax assessment value				
Tax assessment value, buildings (in Sweden)	341	374	505	505
Tax assessment value, land (in Sweden)	111	121	182	178
	452	495	687	683

The classification of owner-occupied and investment properties was carried out dependent upon the proportion of internal use of each property based on outgoing rent. In cases where the proportion of internal use of a property exceed 15 per cent said property is classified as owner-occupied. Owner-occupied properties are reported in the consolidated accounts as property, plant and equipment under Note 27. All real estate is marked to market. Mark-to-market estimates were carried out in compliance with guidelines established by Swedish Property Index and was carried out by external valuers authorized by ASPECT. There are no limitations on the company's right to sell management properties, nor are there any obligations to purchase, erect or exploit management properties or carry out repairs, maintenance or improvements. The Folksam Group uses 32 per cent of the lettable floor space for its own operations.

Note 16.

Shares and participations in Group companies, SEK million	Company registration number	Quantity	Share of equity in %	Book value 2011	Book value 2010
Parent company					
CU Försäkringar AB in liquidation	556034-6792	1 000	100	–	–
Folksam Hälsa AB in liquidation	556237-1285	100 000	100	2	6
Folksam Hälsa AB in liquidation	556454-1182	2 000	100	–	–
Folksam Insurance&Risk Management AB in liquidation	556443-4032	10 000	100	1	1
Folksam Sak Fastighets AB	556236-2342	5 200	100	790	795
Folksam Spar AB (publ)	556055-3470	50 000	100	26	26
Svenska konsumentförsäkringar AB (publ)	516401-6700	200 000	100	300	300
Skanstull Invest BV		402	100	–	–
Tre Kronor Försäkring AB	516406-0369	25 000	100	286	275
Book value				1 405	1 403
Fair value				1 581	1 548

All shares are unlisted.

	Parent company 2011	Parent company 2010
Accumulated acquisition costs		
Opening balance	1 696	1 582
Change due to shareholder and Group contributions rendered during the year	13	114
Closing balance	1 709	1 696
Accumulated impairment charges		
Opening balance	– 293	– 240
Impairment charges reversed during the year	–	–
Impairment charges for the year	– 11	– 53
Closing balance	– 304	– 293
Carrying amount, December 31	**1 405**	**1 403**

Impairment of shares and participations in Group companies is attributable to exchange rate changes.

Group companies	Head office	Share of equity in % 2011	Share of equity in % 2010
CU Försäkringar AB in liquidation	Sundsvall	100	100
Folksam Hälsa AB in liquidation	Stockholm	100	100
Folksam Hälsa AB in liquidation	Stockholm	100	100
Folksam Insurance&Risk Management AB in liquidation	Stockholm	100	100
Folksam Sak Fastighets AB	Stockholm	100	100
Folksam Spar AB (publ)	Stockholm	100	100
Svenska konsumentförsäkringar AB (publ)	Stockholm	100	100
Skanstull Invest BV	Stockholm	100	100
Tre Kronor Försäkring AB	Stockholm	100	100
Folksam Hälsa Föllingekliniken AB in liquidation	Krokom	100	100
Folksam Hälsa Föllingegården KB	Krokom	100	100

Note 17.

Shares and participations in associated companies	Company registration number	Head office	Quantity	Share of equity in %	Book value 2011	Book value 2010
Group						
Folksam Property Holding 1 B V		Amsterdam	55 400	50	790	795
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1 209	22	11	9
Folksam Cruise Holding AB	556767-4121	Stockholm	275	25	27	26
FIH Erhvervsbank A/S	CVR 17029312	Copenhagen		5	287	–
Kulltorp Holding AB	556767-4147	Stockholm	200	20	6	–
Rosengård Invest AB	556756-0528	Malmö	5 000	22	12	–
Book value					1 133	830
Parent company						
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1 209	22	6	6
Folksam Cruise Holding AB	556767-4121	Stockholm	275	25	27	27
Kulltorp Holding AB	556767-4147	Stockholm	200	20	6	–
Rosengård Invest AB	556756-0528	Malmö	5 000	22	8	–
Book value					47	33

Voting rights in each company corresponds to share of equity. All shares are unlisted.

	Group		Parent company	
Accumulated acquisition costs, SEK million	**2011**	**2010**	**2011**	**2010**
Opening balance	830	901	33	6
Acquisitions	18	26	14	27
Participation in associated company's profit/loss	291	21	–	–
Translation difference	–6	–118	–	–
Closing balance	1 133	830	47	33
Carrying amount	1 133	830	47	33
Fair value	1 133	831	50	34
Total amounts for associated companies, SEK million				
Total assets	104 874	1 774	872	184
Total liabilities	94 205	54	674	54
Total equity	10 669	1 720	199	129
Income	910	141	142	138
Earnings for the year	–1 415	49	13	10

The increase in assets, liabilities and equity and the difference in income and earnings for the year in associated companies compared to the previous year are due to the acquisition of FIH Ehrvervsbank on 06/01/2011. The investment was carried out through Folksam Cruise Holding AB.

Note 18.

Interest-bearing securities issued by, and loans to, associated companies

For a specification of interest-bearing securities issued by, and loans to, associated companies refer to Note 48, Related party disclosures

Note 19.

	Group		Parent company	
Shares and other participations, SEK million	**2011**	**2010**	**2011**	**2010**
Book value	4 169	4 975	4 003	4 769
Acquisition cost	3 125	3 272	2 973	3 103
Fair value	4 169	4 975	4 003	4 769
of which:				
Listed shares	3 943	4 329	3 783	4 132
Unlisted shares	226	646	220	637

Note 20.

Bonds and other interest-bearing securities, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Accrued acquisition cost				
Treasury bills	98	–	–	–
Swedish state	5 237	4 283	4 941	4 015
Swedish municipalities	1 946	–	1 823	–
Swedish housing institutes	12 424	9 483	11 425	8 874
Swedish interest rate funds	10	286	–	–
Other Swedish issuers	1 487	4 279	1 438	4 021
Foreign states	375	373	361	359
Other foreign issuers	79	30	79	30
	21 656	18 734	20 067	17 299
of which:				
Listed	21 632	18 722	20 043	17 287
Unlisted	24	12	24	12
Fixed-term subordinated debentures	12	–	12	–
Permanent subordinated debentures	12	12	12	12
Fair value				
Treasury bills	98	–	–	–
Swedish state	5 701	4 372	5 380	4 100
Swedish municipalities	1 950	–	1 826	–
Swedish housing institutes	12 704	9 396	11 688	8 792
Swedish interest rate funds	10	272	–	–
Other Swedish issuers	1 515	4 263	1 465	4 006
Foreign states	384	373	370	360
Other foreign issuers	78	30	78	30
	22 440	18 706	20 807	17 288
of which:				
Listed	22 416	18 694	20 783	17 276
Unlisted	24	12	24	12
Fixed-term subordinated debentures	12	–	12	–
Permanent subordinated debentures	12	12	12	12
Positive value due to the book value's exceeding the nominal value.	2 423	1 321	2 276	1 235
Negative difference due to the book value's exceeding the nominal value.	– 4	24	–	30

Parent company

When valuing interest-bearing securities at accrued acquisition cost the balance sheet item should be reported in the amount of SEK 20,067 million (17,299).

Note 21.

Other loans, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Accrued acquisition cost	168	168	168	168
Fair value	168	168	168	168
Book value	168	168	168	168

Note 22.

Derivatives, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Derivative instruments with positive values or valued at zero.				
Fair value				
Share options	1	–	1	–
Stock futures	–	–	–	–
Forward interest rate contracts	2	–	2	–
Forward exchange rate contracts	49	19	49	19
	52	19	52	19
Acquisition cost				
Share options	17	–	17	–
	17	–	17	–

Group

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2011.	Less than 1 year	1-5 years	More than 5 years
Share options	4 832	–	–
Forward interest rate contracts	– 2 282	–	–
Forward exchange rate contracts	51	–	–
2010			
Forward interest rate contracts	– 439	–	–
Forward exchange rate contracts	20	–	–

Parent company

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2011.	Less than 1 year	1–5 years	More than 5 years
Share options	4 832	–	–
Forward interest rate contracts	– 2 439	–	–
Forward exchange rate contracts	51	–	–
2010			
Forward interest rate contracts	– 596	–	–
Forward exchange rate contracts	20	–	–

During the year contracts were entered into in respect of forward exchange rates, forward interest rates and share options. Forward exchange rate contracts were entered into with the aim of elimination currency risks in the portfolio. Forward interest rate contracts were entered into with the aim of adjusting interest rate portfolio maturity. The purpose of the share option agreements is to render administration more effective.

Description of credit risks
Credit risk for derivatives refers to the risk that the counterparty is unable to meet his obligations in accordance with the contracts. In the case of non-standard derivatives the credit risk is managed in ISDA and CSA agreements.

Description of market risks
The market risk for derivatives refers to the risk that market value changes as a result of market changes in underlying interest rates, share prices and exchange rates.

Note 23.

	Group		Parent company	
Other financial investment assets	**2011**	**2010**	**2011**	**2010**
Book value	218	206	218	206
Fair value	218	206	218	206
Acquisition cost	115	114	115	114

Note 24.

	Group		Parent company	
Receivables in respect of direct insurance	**2011**	**2010**	**2011**	**2010**
Policyholders	2 661	2 431	2 116	1 985
Insurance companies	93	170	81	145
	2 754	2 601	2 197	2 130

Note 25.

	Group		Parent company	
Receivables in respect of reinsurance	**2011**	**2010**	**2011**	**2010**
Other	40	188	35	184
	40	188	35	184

Note 26.

	Group		Parent company	
Other receivables	**2011**	**2010**	**2011**	**2010**
Receivables from Group companies	–	–	6	11
Receivables from related parties	424	325	424	321
Other receivables	206	86	204	83
	630	411	633	415

Note 27 Financial assets and liabilities

Information about carrying amounts per category of financial instruments

Group 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Interest-bearing securities issued by, and loans to, associated companies	–	–	151	151	151	151
Shares and participations	4 169	–	–	4 169	4 169	3 125
Bonds and other interest-bearing securities	22 440	–	–	22 440	22 440	21 656
Other loans	–	–	168	168	168	168
Loans to credit institutions	–	–	–	–	–	–
Other financial investment assets	218	–	–	218	218	115
Derivatives	–	52	–	52	52	17
Receivables	–	–	1 903	1 903	1 903	1 903
Accrued income	–	–	392	392	392	392
Total	**26 827**	**52**	**2 614**	**29 493**	**29 493**	**27 527**

Group 2011 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Liabilities to credit institutions	–	–	4	4	4
Derivatives	–	24	–	24	24
Other liabilities	–	–	509	509	460
Total	**–**	**24**	**513**	**537**	**488**

Note 27 Financial assets and liabilities (cont.)

Group 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Shares and participations	4 975	–	–	4 975	4 975	3 272
Bonds and other interest-bearing securities	18 706	–	–	18 706	18 706	18 735
Other loans	–	–	168	168	168	168
Loans to credit institutions	–	–	27	27	27	27
Other financial investment assets	206	–	–	206	206	206
Derivatives	–	19	–	19	19	–
Receivables	–	–	2 040	2 040	2 040	2 040
Accrued income	–	–	288	288	288	288
Total	**23 887**	**19**	**2 523**	**26 429**	**26 429**	**24 736**

Group 2010 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Liabilities to credit institutions	–	–	4	4	4
Derivatives	–	3	–	3	3
Other liabilities	–	–	394	394	394
Accrued expenses	–	–	–	–	–
Total	**–**	**3**	**398**	**401**	**401**

Note 27 Financial assets and liabilities (cont.)

Parent company 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Interest-bearing securities issued by, and loans to, associated companies	–	–	151	151	151	151
Shares and participations	4 003	–	–	4 003	4 003	2 973
Bonds and other interest-bearing securities	20 807	–	–	20 807	20 807	20 067
Other loans	–	–	168	168	168	168
Other financial investment assets	218	–	–	218	218	115
Derivatives	–	52	–	52	52	17
Receivables	–	–	1 700	1 700	1 700	1 700
Accrued income	–	–	365	365	365	365
Total	**25 028**	**52**	**2 385**	**27 464**	**27 464**	**25 556**

Parent company 2011 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Derivatives	–	24	–	24	24
Accrued expenses	–	–	457	457	457
Total	**–**	**24**	**457**	**481**	**481**

Note 27 Financial assets and liabilities (cont.)

Parent company 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Shares and participations	4 769	–	–	4 769	4 769	3 103
Bonds and other interest-bearing securities	17 288	–	–	17 288	17 288	17 299
Other loans	–	–	168	168	168	168
Other financial investment assets	206	–	–	206	206	206
Derivatives	–	19	–	19	19	–
Receivables	–	–	1 912	1 912	1 912	1 912
Accrued income	–	–	270	270	270	270
Total	**22 263**	**19**	**2 350**	**24 632**	**24 632**	**22 958**

Parent company 2010 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Derivatives	–	3	–	3	3
Other liabilities	–	–	467	467	467
Total	**–**	**3**	**467**	**470**	**470**

Information about the fair value of financial instruments

The table below provides information about how fair value is determined for the financial instruments that are valued at fair value in the balance sheet. In Note 1 Accounting principles there are descriptions about how fair value is determined in respect of assets and liabilities measured at fair value in the balance sheet. The breakdown of how fair value is determined is made on the following three levels.

Group 2011

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	3 943	76	150	4 169
Bonds and other interest-bearing securities	20 022	2 394	24	22 440
Derivatives	2	51	–	52
Other financial investment assets	–	–	218	218
	23 967	**2 521**	**392**	**26 879**

Liabilities, SEK million				
Derivatives	1	22	–	24

Group 2010

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	4 331	192	452	4 975
Bonds and other interest-bearing securities	16 686	2 007	12	18 706
Derivatives	–	19	–	19
Other financial investment assets	–	–	206	206
	21 018	**2 218**	**670**	**23 906**

Liabilities, SEK million				
Derivatives	3	–	–	3

Level 1: according to prices quoted on an active exchange for the same instrument

Level 2: based on directly or indirectly observable market data that is not included in level 1.

Level 3: based on input data that is not observable on the market.

No significant transfers between levels 1 and 2 took place during the year.

Parent company 2011

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	3 783	70	150	4 003
Bonds and other interest-bearing securities	18 529	2 254	24	20 807
Derivatives	1	51	–	52
Other financial investment assets	–	–	218	218
	22 313	**2 375**	**392**	**25 080**

Liabilities, SEK million				
Derivatives	1	23	–	24

Parent company 2010

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	4 132	185	452	4 769
Bonds and other interest-bearing securities	15 402	1 874	12	17 288
Derivatives	–	19	–	19
Other financial investment assets	–	–	206	206
	19 534	**2 078**	**670**	**22 282**

Liabilities, SEK million				
Derivatives	3	–	–	3

Additional information regarding level 3 holdings

The table below presents a reconciliation between opening and closing balances for such financial instruments as are measured at fair value in the balance sheet by means of a valuation technique based on non-observable market data (level 3).

Group 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	452	12	207	671
Total reported gains and losses				
reported in earnings for the year [1]	101	–	10	111
Cost of acquisition	58	12	1	71
Proceeds from sales	– 461	–	–	– 461
Closing balance, 31/12/2011	150	24	218	392
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2011 [1]	15	–	–	15

1) Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year.

Parent company 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	452	12	207	671
Total reported gains and losses				
reported in earnings for the year [1]	101	–	10	111
Cost of acquisition	58	12	1	71
Proceeds from sales	– 461	–	–	– 461
Closing balance, 31/12/2011	150	24	218	392
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2011 [1]	15	–	–	15

1) Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year.

Group 2010	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01.01.10	60	14	152	226
Total reported gains and losses				
reported in earnings for the year [1]	368	– 2	53	419
Cost of acquisition	24	–	1	25
Closing balance, 31/12/2010	452	12	206	670
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2010 [1]	368	– 2	53	419

1) Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year

Parent company 2010	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01.01.10	60	14	152	226
Total reported gains and losses				
reported in earnings for the year [1]	368	– 2	53	419
Cost of acquisition	24	–	1	25
Closing balance, 31/12/2010	452	12	206	670
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2010 [1]	368	– 2	53	419

1) Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year.

Note 27 Financial assets and liabilities (cont.)

The table below presents a summary of the effects that changes in observable assumptions would have on reported outcomes.

Sensitivity analysis Group, SEK million	2011 Effect of favourable changes in assumptions	2011 Effect of unfavourable changes in assumptions	2010 Effect of favourable changes in assumptions	2010 Effect of unfavourable changes in assumptions
Shares and participations	15	– 15	45	– 45
Bonds	2	– 2	–	–
	17	**– 17**	**45**	**– 45**

Parent company, SEK million	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions
Shares and participations	15	– 15	45	– 45
Bonds	2	– 2	–	–

There is significant uncertainty in the valuation of the majority of level 3 holdings as they are based on input data that is not observable on the market. The majority of holdings are valued by the administrator responsible or by an external party appointed by an external administrator where no documentation in support of the valuation is available. Folksam General has chosen to show the effect a 10 per cent change in market value would have on outcomes as a result of a rate/price change.

Shares and participations

Valuation of fund-of-funds holdings are performed by external parties appointed by the fund-of-funds manager. Therefore FG lacks sufficient information to be able to report of the effect of changed assumptions.

There is uncertainty in the valuation of property funds because of the value of the underlying properties. Information is also lacking in this case to enable adequate calculations of the effect of changed assumptions.

Bonds

Because fair value corresponds to acquisition cost no changes in assumptions are considered necessary.

Other financial investment assets

The value of the major part of the investment equities holding is measured through net asset valuation. Because this value is based on factual data and not on assessments or assumptions the book value is considered to be a good approximation of fair value. The effect of changes in assumptions is not considered significant for the remainder of Other financial assets.

Note 28.

Property, plant and equipment, SEK million	Buildings and land	Office equipment	Computer equipment	Other assets	Total
Group 2011					
Accumulated acquisition costs					
Opening balance	456	63	400	15	934
Acquisitions	–	6	6	1	14
Disposals and retirements	–	–	– 79	– 2	– 82
Closing balance	456	69	327	14	866
Accumulated depreciations					
Opening balance	– 15	– 47	– 327	– 12	– 401
Depreciations for the year	– 8	– 6	– 21	– 1	– 36
Disposals and retirements	–	–	54	1	56
Closing balance	– 23	– 52	– 294	– 12	– 381
Accumulated impairment charges					
Opening balance	– 53	–	–	–	– 53
Reversal of previous impairments	38	–	–	–	38
Closing balance	– 15	–	–	–	– 15
Carrying amount, January 1	388	16	73	3	480
Carrying amount, December 31	418	17	33	2	470

Property, plant and equipment, SEK million)cont.=	Buildings and land	Office equipment	Computer equipment	Other assets	Total
Group 2010					
Accumulated acquisition costs					
Opening balance	455	59	383	17	914
Acquisitions	1	8	32	–	41
Disposals and retirements	–	– 4	– 15	– 2	– 21
Closing balance	456	63	400	15	934
Accumulated depreciations					
Opening balance	– 7	– 46	– 307	– 12	– 372
Depreciations for the year	– 8	– 5	– 31	– 1	– 45
Disposals and retirements	–	4	11	1	16
Closing balance	– 15	– 47	– 327	– 12	– 401
Accumulated impairment charges					
Opening balance	– 55	–	–	–	– 55
Reversal of previous impairments	2	–	–	–	2
Closing balance	– 53	–	–	–	– 53
Carrying amount, January 1	393	13	76	6	487
Carrying amount, December 31	388	16	73	3	480

The following principle component groups were identified and form the basis for the depreciation of owner-occupied properties.

Building		Installations	
External land	35 years	Lifts	55 years
Foundation	100 years	Electrical system	45 years
Frame	100 years	Ventilation	45 years
Roof	35 years	Pipe work	60 years
Facades	30 years		
Extension	60 years		
Surface protection	15 years		

Note 28.

Tangible assets, SEK million	Office equipment	Computer equipment	Other assets	Total
Parent company 2011				
Accumulated acquisition costs				
Opening balance	61	398	12	471
Acquisitions	6	6	1	13
Disposals and retirements	– 1	– 79	– 2	– 82
Closing balance	66	325	11	402
Accumulated depreciations				
Opening balance	– 44	– 325	– 10	– 379
Depreciations for the year	– 6	– 21	– 1	– 28
Disposals and retirements	–	54	2	56
Closing balance	– 50	– 292	– 9	– 351
Carrying amount, January 1	16	74	2	92
Carrying amount, December 31	16	33	2	51
Parent company 2010				
Accumulated acquisition costs				
Opening balance	57	381	12	450
Acquisitions	8	32	–	41
Disposals and retirements	– 4	– 15	– 1	– 20
Closing balance	61	398	12	471
Accumulated depreciations				
Opening balance	– 43	– 306	– 9	– 358
Depreciations for the year	– 5	– 31	– 1	– 37
Disposals and retirements	4	12	1	16
Closing balance	– 44	– 325	– 10	– 379
Carrying amount, January 1	14	76	3	92
Carrying amount, December 31	16	74	2	92

Note 29.

	Group		Parent company	
Prepaid acquisition costs, SEK million	**2011**	**2010**	**2011**	**2010**
Opening balance	319	350	257	291
Activation for the year	331	319	263	257
Depreciation for the year	– 319	– 350	– 257	– 291
Closing balance	331	319	263	257

Note 30.

	Group		Parent company	
Other prepaid expenses and accrued income	**2011**	**2010**	**2011**	**2010**
Prepaid expenses	84	63	84	63
Accrued income	50	76	50	76
	134	139	134	139

Note 31. Equity

Refer to the Statements of changes in equity in the consolidated and parent company accounts for equity specifications.

Note 32.

Non-earned premiums and unexpired risks, SEK million	2011 Gross	2011 Ceded	2011 Net	2010 Gross	2010 Ceded	2010 Net
Group						
Provision for non-earned premiums						
Opening balance	4 769	–	4 769	4 467	–	4 467
Premiums written	9 746	– 50	9 697	9 180	– 55	9 125
Premiums earned for the period	– 9 395	50	– 9 346	– 8 878	55	– 8 823
Closing balance	5 120	–	5 120	4 769	–	4 769
Group						
provision for unexpired risks						
Opening balance	32	–	32	31	–	31
Change in provision	– 16	–	– 16	1	–	1
Closing balance	16	–	16	32	–	32

Non-earned premiums and unexpired risks, SEK million	Gross	Ceded	Net	Gross	Ceded	Net
Parent company						
Provision for non-earned premiums						
Opening balance	4 188	–	4 188	3 987	–	3 987
Premiums written	8 331	– 39	8 292	8 031	– 42	7 989
Premiums earned for the period	– 8 093	39	– 8 054	– 7 830	42	– 7 788
Closing balance	4 426	–	4 426	4 188	–	4 188
Parent company						
provision for unexpired risks						
Opening balance	24	–	24	24	–	24
Change in provision	– 13	–	– 13	–	–	–
Closing balance	11	–	11	24	–	24

Note 33.

Unsettled claims, SEK million	2011 Gross	2011 Ceded	2011 Net	2010 Gross	2010 Ceded	2010 Net
Group						
Provisions for unsettled claims						
IB Reported claims	9 603	– 891	8 712	9 283	– 1 068	8 215
IB Incurred but not reported claims (IBNR)	8 360	–	8 360	8 052	–	8 052
Opening balance	17 963	– 891	17 072	17 335	– 1 068	16 267
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	199	– 22	177	– 73	26	– 47
Other changes	217	844	1 061	701	151	852
Closing balance	18 379	– 69	18 310	17 963	– 891	17 072
UB Reported claims	9 931	– 69	9 861	9 603	– 891	8 712
UB Incurred but not reported claims (IBNR)	8 448	–	8 448	8 360	–	8 360

Group	Gross	Ceded	Net	Gross	Ceded	Net
Provisions						
Provision for incurred reported claims	5 537	– 69	5 468	5 839	– 896	4 943
Provision for incurred but not reported claims	8 448	–	8 448	8 360	–	8 360
Provision for personal injury annuities	3 920	–	3 920	3 268	–	3 268
Provision for claim settlement expenses	474	–	474	501	–	501
	18 379	– 69	18 310	17 968	– 896	17 072

Parent company	Gross	Ceded	Net	Gross	Ceded	Net
Provisions for unsettled claims						
IB Reported claims	9 082	– 870	8 212	8 870	– 1 060	7 810
IB Incurred but not reported claims (IBNR)	7 876	–	7 876	7 596	–	7 596
Opening balance	16 958	– 870	16 088	16 466	– 1 060	15 406
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	231	– 16	215	– 41	32	– 9
Other changes	146	823	969	533	158	691
Closing balance	17 335	– 63	17 272	16 958	– 870	16 088
UB Reported claims	9 430	– 63	9 367	9 082	– 870	8 212
UB Incurred but not reported claims (IBNR)	7 905	–	7 905	7 876	–	7 876

Note 33. Unsettled claims, SEK million (cont.)	2011 Gross	2011 Ceded	2011 Net	2010 Gross	2010 Ceded	2010 Net
Parent company						
Provisions						
Provision for incurred reported claims	5 094	– 63	5 031	5 372	– 870	4 502
Provision for incurred but not reported claims	7 905	–	7 905	7 876	–	7 876
Provision for personal injury annuities	3 901	–	3 901	3 248	–	3 248
Provision for claim settlement expenses	435	–	435	462	–	462
	17 335	– 63	17 272	16 958	– 870	16 088

Note 34.

Bonuses and rebates, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Opening balance	1	–	1	–
Bonuses and rebates settled during the period	– 1	–	– 1	–
The year's provision for non-mature bonuses	10	1	10	1
Closing balance	10	1	10	1

Note 35.

Pensions and similar liabilities, SEK million	2011	2010
Group		
Pension obligations		
Present value of wholly or partially funded obligations	3 192	2 561
Present value of wholly or partially unfunded obligations	115	111
Total present value of defined-benefits obligations	3 307	2 672
Fair value of plan assets	2 972	2 842
Net reported in respect of defined-benefits plans in the statement of financial position	– 335	170

The net amount for defined-benefits plans is reported in the following items in the statement of financial position		
Pension provisions	– 335	170
Net amount in the statement of financial position	– 335	170

Overview of defined-benefits plans

Change of present value of funded liabilities		
Obligations for defined-benefits plans as of January 1	2 561	2 736
Compensation disbursed	– 140	– 137
Expenses for the current period of service	55	60
Interest expenses	125	110
Actuarial gains and losses	536	– 244
Adjustments between Groups	55	36
Obligations for defined-benefits plans as of December 31	3 192	2 561

Change of present value of unfunded pension liabilities		
Obligations for defined-benefits plans as of January 1	111	130
Expenses for service, current year	4	5
Interest expenses	5	4
Actuarial gains and losses	5	– 24
Other changes	– 10	– 4
Obligations for defined-benefits plans as of December 31	115	111

Changes to the fair value of plan assets		
Fair value of plan assets as of January 1	2 842	2 778
Fees from employer	138	21
Compensation disbursed	– 140	– 137
Anticipated yield from plan assets	120	118
Reductions and settlements	– 41	–
Actuarial gains and losses	– 8	26
Adjustments between Groups	61	36
Fair value of plan assets as of December 31	2 972	2 842

Pensions and similar liabilities, SEK million (cont.)	2011	2010
Plan assets consist of the following		
Equity instruments	892	873
Debt instruments	1 813	1 711
Property	267	250
Other assets	–	9
	2 972	2 842

Expense reported in profit/loss for the year		
Expenses regarding the current period of service	59	65
Effect of reductions and settlements	41	–
Interest expenses on obligations	130	114
Anticipated yield from plan assets	– 120	– 119
Net expense (+) / Income (-) in profit/loss for the year	110	61

The expense is reported in the following lines in profit/loss for the year		
Administration expenses	100	65
Income from financial items	– 120	– 119
Financial expenses	130	114
	110	61
Actual yield from plan assets	112	145

Revenue reported in other comprehensive income		
Actuarial gains (-) and losses (+)	549	– 294
Net reported in other comprehensive income	549	– 294
Actuarial gains (-) and losses (+) reported in other comprehensive income.		
Accumulated as per January 1	– 715	– 421
Reported during the period	549	– 294
Accumulated as per December 31	– 166	– 715

Assumptions about defined-benefits obligations		
Discount interest rate	3.42%	5.00%
Anticipated yield from plan assets	3.60%	4.30%
Future salary increases	3.14%	3.50%
Future pension increases (inflation)	1.64%	2.00%
Income base amount	3.14%	3.50%
Retirement rates	5.00%	5.00%
Longevity assumptions	FFFS 2007:31	

Discount interest rate

Folksam uses commercial yields prevailing on the closing date obtained from Swedish housing bonds with maturities corresponding to the duration of the pension obligations in order to determine the discount interest rate.

Anticipated yield from plan assets

Anticipated yield from plan assets is determined on assumptions that estimated bond yield is similar to the yield on 10-year government bonds and that stock yield will have the same interest with a risk premium supplement.

Future salary increases

Future salary increases reflect anticipated future percentage salary increases as a compound effect of inflation, service seniority and position.

Inflation

In the case of inflation assumptions Folksam has chosen to follow the Swedish Central Bank's adopted inflation goal as the basis for its calculations.

Future pension increases

Inflation assumptions are used to index future pension increases.

Income base amount

The income base amount is approved annually by the government and is used e.g. to determine the maximum pensionable salary in the National Pension Insurance Fund.

Historical information	2011	2010	2009
Group			
Present value of defined-benefits liabilities	3 307	2 672	2 866
Fair value of plan assets	2 972	2 842	2 778
Surplus/deficit in the plan	– 335	170	– 89
Change in defined-benefits liabilities based on experience	– 9	– 159	21
Change in plan assets based on experience	– 8	26	188

The Group estimates that SEL 117 million will be paid to funded and unfunded defined-benefits plans during 2012.

Actuarial calculations for are made for defined-benefits pension provisions for the Folksam Life and Folksam General Groups in accordance with IAS 19. Calculations are made for each pension plan and employer. The KTP plan, which is the biggest pension plan within Folksam, is secured in KP's pension foundation. Folksam General has payment liability for the pension plan for all Folksam employees.

Expenses are allocated within Folksam and commitments are allocated between each Group according to an index for distributing overhead based on payroll expenses for each company within the Folksam Life and Folksam General Groups. This is done to portray as correct a picture as possible of the costs and assumptions within the Groups.

Because payroll expenses vary from year to year the percentage distribution of pension provisions changes between the Folksam Life and Folksam General Groups. This results in the previous year’s closing balance value's not corresponding to the current year’s opening balance value, which will give rise to a receivable/liability between the Folksam Life and Folksam General Groups. This effect is treated as an adjustment between the Groups in the consolidated financial statements, which changes as the percentage allocation of payroll expenses of the companies within the Groups changes.

Note 35. Pensions and similar liabilities, SEK million (cont.)	2011	2010	2009	2008
Parent company				
Obligations for defined-benefits plans as of January 1	97	115	129	–
Expenses for service, current year	3	4	4	–
Interest expenses	4	4	4	–
Actuarial gains and losses	4	– 21	– 20	–
Other changes	– 11	– 5	– 2	–
Obligations for defined-benefits plans as of December 31	97	97	115	129
Assumptions				
Discount interest rate	3.42%	5.00%	4.00%	4.00%
Future salary increases	3.14%	3.50%	3.50%	3.50%
Future income base amount increases	3.14%	3.50%	3.50%	3.50%
Future pension increases (inflation)	1.64%	2.00%	2.00%	2.00%
Retirement rates	5.00%	5.00%	5.00%	5.00%

Provisions for pensions and similar liabilities in the parent company refers to non-secured liabilities as per collective bargaining agreements. Employees born 1955 or earlier and who were employed on June 1, 2006 have the right to retire at 62 years of age; for other employees 65 years of age applies. Those eligible to retire at 62 years of age may receive a maximum compensation level equivalent to around 65 per cent of pensionable salary up until the age of 65.

If the employee elects to retire at 62 years of age Folksam will make a supplementary premium payment covering retirement benefit up until 65 years of age. Calculations for provisions and similar obligations were made on the assumption that around 50 per cent will exploit the opportunity for premature retirement.

Note 36.

Deferred tax liability	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Deferred tax assets and tax liabilities				
Buildings and land	174	142	174	142
Shares and participations	275	448	271	438
Bonds and other interest-bearing securities	207	– 7	195	– 3
Derivatives	– 4	– 1	– 4	– 1
Other financial investment assets	1	1	1	1
Untaxed reserves	1 921	1 621	–	–
Provisions for pensions and similar liabilities	– 105	63	– 25	– 25
Other accrued expenses and deferred income	– 7	– 7	– 6	– 6
Loss carryforward	–	–	–	–
Other deferred tax assets and deferred tax liabilities, net	2 462	2 260	606	546

Changes in deferred tax for the year in temporary differences are reported in the parent company income statement. In the consolidated accounts the year's changes in deferred tax are reported at SEK - 384 million (- 427) in the income statement and at SEK 178 million (- 87) in other comprehensive income.

Non-activated loss carryforwards amount to SEK 36 million (10) for the Group. There are no non-activated loss carryforwards in the parent company.

Note 37.

Liabilities in respect of direct insurance, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Policyholders	52	2	–	1
Insurance companies	107	–	107	–
	159	2	107	1

Note 38.

Liabilities in respect of reinsurance, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Other	1	1	1	1
	1	1	1	1

Note 39.

Liabilities to credit institutions, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Bank loans	4	4	–	–
Liabilities that fall due for payment later than five years from closing date	–	4	–	–

Note 40.

Derivatives, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Derivative instruments with negative values				
Fair value				
Share options	14	–	14	–
Stock futures	–	1	–	1
Forward exchange rate contracts	7	–	7	–
Forward interest rate contracts	1	2	1	2
Interest rate swaps	2	–	2	–
	24	3	24	3
Acquisition cost				
Share options	17	–	17	–
	17	–	17	–

Group

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2011.	Less than 1 year	1-5 years	More than 5 years
Share options	– 857	–	–
Stock futures	0	–	–
Forward interest rate contracts	1 401	–	–
Forward exchange rate contracts	– 8	–	–
2010			
Stock futures	0	–	–
Forward interest rate contracts	1 897	–	–

Parent company

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2011.	Less than 1 year	1-5 years	More than 5 years
Share options	– 857	–	–
Stock futures	0	–	–
Forward interest rate contracts	1 350	–	–
Forward exchange rate contracts	– 8	–	–
2010			
Stock futures	0	–	–
Forward interest rate contracts	1 779	–	–

During the year contracts were entered into in respect of forward exchange rates, forward interest rates and share options. Forward exchange rate contracts were entered into with the aim of elimination currency risks in the portfolio. Forward interest rate contracts were entered into with the aim of adjusting interest rate portfolio maturity. The purpose of the share option agreements is to render administration more effective.

Description of credit risks

Credit risk for derivatives refers to the risk that the counterparty is unable to meet his obligations in accordance with the contracts. In the case of non-standard derivatives the credit risk is managed in ISDA and CSA agreements.

Description of market risks

The market risk for derivatives refers to the risk that market value changes as a result of market changes in underlying interest rates, share prices and exchange rates.

Note 41.

Other liabilities, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Liabilities to Group companies	–	–	10	108
Liabilities to related companies	52	33	43	33
Other	543	428	470	385
	594	461	523	526

Note 42.

Other accrued expenses and deferred income	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Accrued expenses	441	259	354	298
Prepaid income	161	330	96	213
	602	589	450	511

Note 43.

Anticipated recovery times for assets and liabilities, SEK million	Max 1 year	Longer than 1 years	Total
Group 2011			
Assets			
Intangible assets	36	134	170
Buildings and land	–	715	715
Shares and participations in Group companies	–	–	–
Shares and participations in associated companies	–	1 133	1 133
Interest-bearing securities issued by, and loans to, associated companies	–	151	151
Shares and participations	–	4 169	4 169
Bonds and interest-bearing securities	4 715	17 725	22 440
Other loans	–	168	168
Derivatives	–	52	52
Other financial investment assets	–	218	218
Deposits from companies that have ceded reinsurance	–	–	–
Reinsurer's share of technical provisions			
Unsettled claims	19	50	69
Receivables in respect of direct insurance	2 754	–	2 754
Receivables in respect of reinsurance	17	23	40
Other receivables	85	–	85
Pensions and similar liabilities	630	–	630
Tangible assets and stock	11	459	470
Cash and cash equivalents	1 259	13	1 272
Accrued interest and rental income	392	–	392
Prepaid acquisition costs	331	–	331
Other prepaid expenses and accrued income	134	–	134
	10 384	25 009	35 393

Note 43. Anticipated recovery times for assets and liabilities, SEK million (cont.)	Max 1 year	Longer than 1 years	Total
Group 2011			
Liabilities and provisions			
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	5 136	–	5 136
Unsettled claims	3 777	14 602	18 379
Bonuses and rebates	10	–	10
Other provisions			
Provision for pensions and similar liabilities	19	316	335
Deferred tax liability	–	2 462	2 462
Liabilities in respect of direct insurance	159	–	159
Liabilities in respect of reinsurance	1	–	1
Liabilities to credit institutions	4	–	4
Derivatives	24	–	24
Other liabilities	594	–	594
Accrued expenses and deferred income	602	–	602

Total liabilities and provisions	10 326	17 380	27 706

Note 43. Anticipated recovery times for assets and liabilities, SEK million (cont.)	Max 1 year	Longer than 1 years	Total
Parent company 2011			
Assets			
Intangible assets	34	134	168
Buildings and land	–	1 133	1 133
Shares and participations in Group companies	–	1 405	1 405
Shares and participations in associated companies	–	47	47
Interest-bearing securities issued by, and loans to, associated companies	–	151	151
Shares and participations	–	4 003	4 003
Bonds and interest-bearing securities	4 098	16 709	20 807
Other loans	–	168	168
Derivatives	–	52	52
Other financial investment assets	–	218	218
Deposits from companies that have ceded reinsurance	–	–	–
Reinsurer's share of technical provisions			
Unsettled claims	16	47	63
Receivables in respect of direct insurance	2 197	–	2 197
Receivables in respect of reinsurance	13	22	35
Current tax asset	84	–	84
Other receivables	633	–	633
Tangible assets and stock	10	41	51
Cash and cash equivalents	1 067	–	1 067
Accrued interest and rental income	365	–	365
Prepaid acquisition costs	263	–	263
Other prepaid expenses and accrued income	134	–	134
	8 914	24 130	33 045

Note 43. Anticipated recovery times for assets and liabilities, SEK million (cont.)	Max 1 year	Longer than 1 years	Total
Parent company 2011			
Liabilities and provisions			
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	4 437	–	4 437
Unsettled claims	3 346	13 989	17 335
Bonuses and rebates	10	–	10
Other provisions			
Pensions and similar liabilities	16	81	97
Deferred tax liability	–	606	606
Liabilities in respect of direct insurance	107	–	107
Liabilities in respect of reinsurance	1	–	1
Derivatives	24	–	24
Other liabilities	524	–	524
Accrued expenses and deferred income	450	–	450
	8 914	14 676	23 590

Not 44. Profit/loss per insurance class, SEK million

Parent company, 2011	Accident and illness	Auto insurance: Third party liability	Auto insurance: Other categories	Maritime, aviation and transport	Fire & other property claims	General liability
Premium income, gross	1 693	942	2 248	3	2 428	170
Premiums earned, gross	1 723	981	2 112	3	2 314	163
Claims incurred, gross	– 1 349	– 1 461	– 1 492	– 2	– 1 910	– 109
Operating expenses, gross	– 238	– 260	– 366	– 1	– 447	– 33
Outcome of reinsurance ceded	– 4	– 27	– 3	–	– 7	– 1

	Credit and sureties	Legal protection	Other insurance categories	Direct insurance	Received reinsurance	Total
Premium income, gross	–	208	634	8 326	5	8 331
Premiums earned, gross	–	195	609	8 100	5	8 105
Claims incurred, gross	–	– 148	– 425	– 6 896	– 7	– 6 903
Operating expenses, gross	–	– 36	– 86	– 1 467	–	– 1 467
Outcome of reinsurance ceded	–	– 1	– 3	– 46	2	– 44

Parent company, 2010	Accident and illness	Auto insurance: Third party liability	Auto insurance: Other categories	Maritime, aviation and transport	Fire & other property claims	General liability
Premium income, gross	1 684	1 017	2 034	2	2 283	156
Premiums earned, gross	1 761	1 036	1 857	3	2 193	146
Claims incurred, gross	– 1 343	– 1 001	– 1 344	–	– 1 857	– 108
Operating expenses, gross	– 195	– 263	– 331	– 1	– 392	– 33
Outcome of reinsurance ceded	– 4	– 31	– 3	–	– 5	– 3

	Credit and sureties	Legal protection	Other insurance categories	Direct insurance	Received reinsurance	Total
Premium income, gross	–	199	650	8 025	6	8 031
Premiums earned, gross	–	188	641	7 825	6	7 831
Claims incurred, gross	5	– 143	– 552	– 6 343	–	– 6 343
Operating expenses, gross	– 1	– 33	– 73	– 1 322	–	– 1 322
Outcome of reinsurance ceded	–	– 2	– 5	– 53	–	– 53

Note 45.

Pledged assets, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Mortgage deeds pledged for own liabilities				
Floating charges	–	0	–	–
	–	0	–	–
Assets included in the policyholders' preferential right				
Buildings and land (incl. indirectly owned)	1 367	1 495	1 367	1 494
Shares and participations in Group companies	500	470	500	470
Shares and participations	3 650	3 949	3 490	3 762
Bonds and other interest-bearing securities	21 546	18 847	20 407	17 101
Other loans	80	80	80	80
Receivables in respect of direct insurance	2 044	1 758	1 826	1 758
Accrued interest and rental income	373	269	353	269
	29 560	26 868	28 023	24 934
Assets pledged on behalf of others				
Bonds and interest-bearing securities	357	179	323	170
Cash and cash equivalents	56	93	55	92
	413	272	378	262
Other pledged assets and securities				
Assets pledged in favour of subsidiaries	4	4	4	4
Total pledged assets	**29 977**	**27 145**	**28 405**	**25 200**

Note 46.

Contingent liabilities, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Sureties	4	4	–	–
Guarantees	2	2	2	2
Capital value of pension liabilities that are not reported as liabilities or covered by insurance	1	1	1	1
	7	7	3	3

Note 47.

Commitments, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Reported commitments for agreed but non-invested risk capital	76	320	76	320
Reported commitment for agreed but not yet disbursed loan to associated company	–	128	–	128
	76	448	76	448

Note 48. Related party disclosures

Related parties

This note includes a description of material relations between Folksam General and related companies in Folksam (the Folksam General and Folksam Life Groups including KPA Pension) and other related parties. All Folksam companies are defined as related due to their joint management, shared central units and a shared local marketing organization that supports the Group.

Other related parties consist of key people, their close family members (according to IAS 24 definitions) and companies that are under the controlling influence or significant influence of key people or their close family members. Company refers to all types of companies and organizations except Folksam companies and companies and organizations with an influence within Folksam through board representation. Key people correspond to the senior executives about whom information is provided regarding "Compensation and benefits to senior executives" in Note 49.

Organizations that have board representation in Folksam companies are not considered related parties. Said companies do not act in their own direct interests but represent the policyholders.

Folksam companies

Folksam consists of two Groups, the Folksam General Group and the Folksam Life Group. Significant synergies are achieved through pursuing both P&C and life insurance business within Folksam.

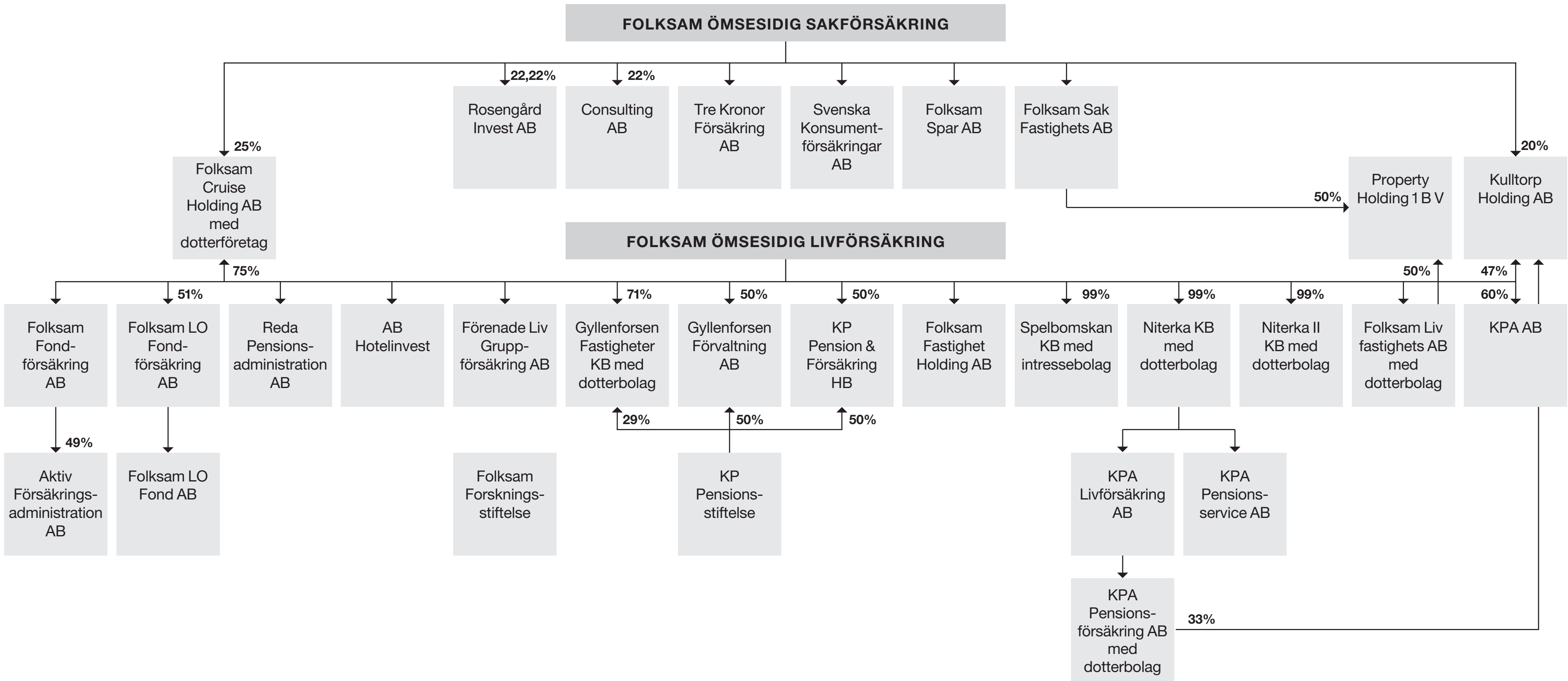
Folksam General is the parent company in a Group which includes the wholly owned subsidiaries Folksam Sak Fastighets AB, Folksam Spar AB (publ), Svenska Konsumentförsäkringar AB (publ), and Tre Kronor Försäkring AB. Furthermore Folksam General holds 22 per cent of part-owned Consulting AB Lennermark & Andersson, 25 per cent of Folksam Cruise Holding AB, 20 per cent of Kulltorp Holding AB and 22.22 per cent of Rosengård Invest AB.

Subsidiaries winding up

Folksam Hälsa AB in liquidation with subsidiaries, Föllingekliniken AB in liquidation and Föllingegården KB.
CU Försäkringar AB in liquidation.
Folksam Hälsa AB in liquidation.
Folksam Insurance & Risk Management AB in liquidation.
Skanstull Invest B.V.

Information on how related party transactions are carried out and monitored

At the beginning of every year a business plan is drawn up that describes, among other things, financial targets and the use of shared resources. During the year the MD shall regularly inform the board about forecasts and outcomes in the business plan. Departures from the principles of the adopted business plan must be approved by the board. The final allocation of expenses between companies is decided by the board in connection with the preparation of the annual accounts.



Self-cost principle

The overarching principle is to achieve the correct allocation of expenses per company and product by applying the self-cost principle. Each company and product shall bear the costs that are attributable to the company and the product. No internal profits or cross subsidies may occur.

Operating expenses should be allocated as far as possible according to actual use by company and product. Examples of such costs are computer equipment, premises and telephony. Assessments of actual use are made for other costs based on such things as time reporting, number of transactions or policies associated with the expense. Examples of such expenses are the use of certain support units and marketing.

Joint employment

The largest part of operating expenses consist of personnel-related expenses. Folksam applies joint employment principles which means that all personnel are employed in all companies. Consequently expenses belong to the company for which work is performed.

Within the organization each employee is associated with a cost centre. A cost centre can only belong to a single company. Initially employees' expenses are charged to the cost centre and company to which they belong. These expenses are then allocated to the company for which they have performed work. However, it is not a matter of sales and purchases of services but of the allocation of expenses.

Agreements

The allocation of expenses determined by the board is implemented operationally through internal agreements set up between units/companies that use internal billing. The agreements are documented and contain information on how follow-up and control shall take place.

KP

KP Pension & Försäkring Handelsbolag was liquidated on 31/10/2011 and the assignment to debit premiums and convey said premiums to the concerned insurers within Folksam and the disbursement of pensions and claims incurred for these products was transferred to KPA Pensionsservice AB beginning 30/05/2011.

Folksam's undertakings concerning employee defined-benefits pensions are secured in the Coop Pension Foundation, which also secures newly accrued employee pensions invested in KPA companies from 01/07/2011; refer to Note 49.

Stock-take of senior executives' related party transactions

A stock-take in respect of any related party transactions by senior executives in amounts exceeding SEK 10,000 was carried out. Said stock-take did not refer to remunerations that senior executives/key people received in their capacities as senior executives, i.e. salaries, pensions, directors' fees, etc. which are specified in the personnel note under Compensation to senior executives in the annual accounts. The completed stock-take or related party transactions for senior executives had one record of SEK 18 thousand in respect of premiums in Folksam General.

Related party transactions

The following transactions took place with related parties, SEK million

	Compensation paid		Compensation received	
Related party transactions, SEK million	**2011**	**2010**	**2011**	**2010**
Folksam Mutual Life Insurance				
Insurance operation	58	22	272	259
Asset management	–	–	69	41
IT	4	48	235	177
Administrative support	112	1	217	150
Pension provisions	–	–	34	14
Svenska konsumentförsäkringar AB (publ)				
Insurance operation	–	–	45	38
Asset management	–	–	2	2
IT	–	–	21	22
Administrative support	–	–	17	10
Pension provisions	–	–	5	1
Folksam Fondförsäkring Aktiebolag (publ)				
Insurance operation	–	–	112	137
IT	–	–	–	2
Administrative support	–	–	28	10
Pension provisions	–	–	3	–

	Compensation paid		Compensation received	
Related party transactions (cont.)	**2011**	**2010**	**2011**	**2010**
Tre Kronor Försäkring AB				
Insurance operation	–	–	44	29
Asset management	–	–	–	–
IT	–	–	15	14
Administrative support	–	–	14	6
Pension provisions	–	–	4	1
KPA AB				
Insurance operation	2	–	5	6
IT	15	–	115	23
Administrative support	4	–	56	39
Folksam Spar AB (publ)				
IT	–	–	3	–
Administrative support	–	–	2	8
Pension provisions	–	–	–	–
Folksam LO Fondförsäkring Aktiebolag (publ)				
Insurance operation	–	–	27	35
IT	–	–	1	2
Administrative support	–	–	10	5
Pension provisions	–	–	2	–
Förenade Liv Gruppförsäkring AB (publ)				
Insurance operation	4	7	9	4
IT	–	–	5	5
Administrative support	–	–	18	9
Pension provisions	–	–	9	5
Folksam Hälsa AB in liquidation				
IT	–	–	–	–
Administrative support	1	2	–	–
Pension provisions	–	–	–	–
Folksam Hälsa AB in liquidation				
IT	–	–	–	–
Administrative support	–	–	–	–
Folksam LO Fond AB (publ)				
IT	–	–	–	–

Administrative support	–	–	1	3
Pension provisions	–	–	–	–
Reda Pensionsadministration AB				
IT	–	–	3	3
Administrative support	–	–	3	4

	Compensation paid		Compensation received	
Related party transactions (cont.)	**2011**	**2010**	**2011**	**2010**
KPA Pensionsförsäkring AB (publ)				
IT	–	–	–	–
Administrative support	–	–	–	–
Folksams Forskningsstiftelse				
Administrative support	–	–	–	–
KPA Pensionsservice AB				
IT	–	–	1	–
Administrative support	–	–	–	–
KPA Livförsäkring AB (publ)				
Coop Pension Foundation				
Total	**200**	**80**	**1 407**	**1 064**

The item Insurance operation consists chiefly of expenses for the joint marketing organization. This includes such things as distribution, claims management, customer service and insurance administration. Asset management refers to asset management expenses. IT transactions includes such things as computer equipment, the operation and development of systems, printed materials and telephony. Administrative support refers to costs within other central units, e.g. costs for accounting, auditing and marketing.

	Receivables		Liabilities	
Closing balances at year end, SEK million	**2011**	**2010**	**2011**	**2010**
Folksam Mutual Life Insurance	405	267	25	29
KPA AB	9	1	–	–
Svenska konsumentförsäkringar AB (publ)	6	4	–	–
Förenade Liv Gruppförsäkring AB (publ)	4	–	–	3
KPA Pensionsförsäkring AB (publ)	2	0	–	–
KPA Pensionsservice AB	2	0	–	–
Reda Pensionsadministration AB	1	–	–	0
Folksam Fondförsäkringsaktiebolag (publ)	–	52	17	–
Folksam Spar AB (publ)	–	7	1	–
Folksam LO Fondförsäkrings AB (publ)	–	0	2	0
Folksam Hälsa AB in liquidation	–	–	1	–
Tre Kronor Försäkring AB	–	–	7	107
CU Försäkringar AB in liquidation	–	–	–	–
Folksam Hälsa AB in liquidation	–	–	–	–

Internal interest
Internal interest is paid on receivables and liabilities between Folksam companies. Interest is STIBOR 1 week. Internal interest from Folksam General Group companies amounted to an income of SEK 0 (0) million in 2011.

Loans
Folksam General has loan receivables from associated companies; Folksam Cruise Holding AB in the amount of SEK 128 million (0) and Kulltorp Holding AB at SEK 23 million (–). Interest income from associated companies in 2011 amounted to SEK 11 million (–).

Guarantees
No guarantees were undertaken by Folksam General in favour of other Folksam companies.

Group contributions and shareholder contributions
Folksam General has provided a Group contribution to Tre Kronor Försäkring AB in the amount of SEK 12 million (69) and SEK 1 million (–) to Folksam Hälsa AB. During the previous year Folksam General also provided a shareholder contribution to Tre kronor Försäkring AB in the amount of SEK 45 million.

Reinsurance
Folksam General received internal reinsurance in that Tre Kronor Försäkring AB and Svenska Konsumentförsäkringar AB (publ) reinsured themselves with Folksam General with a premium volume amounting to SEK 4 million (5) during 2011.

Note 49. Average number of employees, pay and remunerations

	Parent company		Subsidiaries	
Average number of employees in Sweden [1]	**2011**	**2010**	**2011**	**2010**
Salaried employees	1 934	1 833	39	38
of whom men	49%	48%	41%	42%
Agents [2]	272	585		

1) The average number of employees has been calculated based on the number of paid working hours in relation to one man year comprising 1,945 hours (1,889).

2) Total number in Folksam.

Agents are employees who sell company products for a variable remuneration.

	Parent company		Subsidiaries	
Pay, compensation and other benefits, SEK million	**2011**	**2010**	**2011**	**2010**
Employees in Sweden				
Board	2.1	1.9		
Managing Director	2.5	2.4		
Deputy managing directors and other senior executives	11.6	11.6		
Board and MD subsidiaries			1.5	3.7
Salaried employees	959.9	863.3	5.3	13.6
Agents	64.2	64.1	73.9	–
Total	**1 040.3**	**943.3**	**80.7**	**17.3**
Social security charges	576.0	426.3	3.2	5.2
of which pension expenses	202.7	108,7	6.5	1.5
of managing director's pension expenses	0.9	0.8	0.6	0.9

	2011		2010	
Distribution of men and women in company management, Number	**Women**	**Men**	**Women**	**Men**
Parent company				
Managing Director	–	1	–	1
Deputy managing director and deputy Group CEO [1]	–	1	–	1
Other senior executives	5	6	4	6
Board	7	5	7	5

1) Lars Burman left his position August 1.

Pay, compensation, fees and benefits to senior executives and the board, parent company.

Directors' fees, SEK thousand	**2011**	**2010**
Board chairman		
Wanja Lundby-Wedin	174	165
Other board members		
Ulf Andersson	152	158
Johnny Capor	–	70
Metta Fjelkner	97	95
Björn Hartvigsson	64	62
Ulla Hultén	–	70
Sten-Åke Karlsson	162	148
Göran Lindblå	192	162
Leif Linde	122	65
Carina Malmer	103	35
Karin Mattson Weijber	103	95
Ella Niia	97	95
Hans-Olof Nilsson	80	47
Leif Nordmark	80	72
Annelie Nordström	87	25
Bengt Olsson	115	117
Ingela Rozmán	98	153
Ylva Thörn	14	70
Annika Strandhäll	28	–
Personnel representatives, 5 (4)	348	219
Total directors' fees	**2 116**	**1 923**

CEO and managing director		
Anders Sundström		
Basic salary	2 506	2 377
Other benefits	97	98
Pension expenses	862	804
Other compensation	–	–
Total	**3 465**	**3 279**

Deputy managing director and deputy Group CEO	**2011**	**2010**
Lars Burman		
Basic salary	975	1 669
Other benefits	16	28
Pension expenses	241	432
Other compensation	–	–
Total	**1 232**	**2 129**

Pay, compensation, fees and benefits to senior executives and the board, parent company (cont.)

Senior executives	2011	2010
Other senior executives, 10 (11) [1]		
Basic salary	10 658	9 955
Other benefits [2]	255	284
Pension expenses	2 843	2 568
Other compensation [3]	–	–
Total	**13 756**	**12 808**

Compensation and benefits for the CEO, MD, deputy MD, deputy CEO and other senior executives are shared equally by Folksam General and Folksam Life; the above refers to Folksam General's share. The total compensation to the above parties consists of the sum of the compensation and benefits reported in each company's annual accounts.

1) Other senior executives refers to the 11 people who, together with the managing director and deputy managing director/deputy CEO, make up Group management. The two other deputy managing directors are included in Group management and are reported under other senior executives.

2) Other benefits refers mainly to company cars.

3) Other compensation refers to compensation for committee assignments and directors' fees in subsidiaries.

Directors have fixed annual fees as reported below, SEK thousand.

Board chairman	140.0
Vice chairman	90.0
Others excluding MD	65.0
Substitute	35.0
Attendance allowance	5.5
Specific for personnel representatives	
Regular board member	35.0
Attendance allowance	5.5
Attendance allowance, substitutes	5.5
Fees to members of the audit committee	
Annual fee	42.0
Attendance allowance	5.5
Fees to members of the remunerations committee	
Annual fee	33.0
Attendance allowance	5.5

Compensation to the managing director, deputy managing director, senior executives and the board

The nomination committee recommends board compensation to the AGM. Fees are paid to the board chairman, board members including personnel representatives according to AGM decisions.

Folksam's board has approved the company's compensation policy. Principles for compensating the managing director, deputy managing director and other senior executives is approved annually by the AGM. Compensation consists of basic salary, other benefits and pension. No rewards programmes or variable compensation are applied to senior executives. According to Folksam's compensation policy the board, following proposals from the remunerations committee, approves salaries for the managing director, deputy managing director and senior executives. Compensation to the the managing director, deputy managing director and senior executives is revised annually.

Pension

The pensionable age for the managing director is 62 years. In addition to benefits in accordance with the National Pension Fund, Folksam must pay pension benefits for the managing director equivalent to 35 per cent of his annual salary.

The pensionable age is 62 years for two of the deputy managing directors. The pensionable age for a deputy managing director and other senior executives is 65 years. Two deputy managing directors switched to defined contributions pension plans on May 1, 2005. One deputy managing director and other senior executives are employed with defined contributions pension plans. In addition to benefits in accordance with the National Pension Insurance Fund, Folksam must pay pension benefits equivalent to 25 per cent of his annual salary. For deputy managing directors Folksam must pay pension benefits equivalent to 35 per cent of the annual gross salary. There is a clause in the employment contracts of senior executives stating that the right to transfer pensions may not be exercised if it can be assumed that the person has knowledge that a transfer in this individual case will affect other policyholders negatively.

Severance pay

Severance pay for the managing director is 12 months' salary. The period of notice for managing directors is 12 months on the part of the company and 6 months on the part of the managing director. For deputy managing directors and other senior executives with the exception of one senior executive, severance pay is 12 months' salary.

The period of notice for senior executives is 12 months on the part of the company, and 6 months on the part of deputy managing directors and other senior executives.

Rewards programme

A rewards programme that includes all Folksam employees (senior executives and employees in key positions who can influence Folksam's risk level are excluded in compliance with the approved Compensation policy) was in force during 2011.

The rewards programme stems from a need for the efficient use of resources and to reposition the brand. Therefore the rewards programme focused on two sub areas: operating expenses and brand repositioning. The two sub areas are then divided into a total of six intermediate goals of which two are broken down into units and subsidiaries while the remainder are overarching Folksam objectives. A maximum payout from the 2011 rewards programme amounts to SEK 20,000 per employee. Disbursements from the rewards programme must be preceded by a board decision.

An account of the company's compensations in compliance with the Swedish Financial Supervisory Authority's guidelines on remuneration policies in insurance companies (FFFS 2010:2 Chap. 5) will be available on Folksam's website www.folksam.se in connection with the AGM on April 19, 2012.

Pension commitments

Folksam's pension plans consist chiefly of pension benefits described in collective bargaining agreements in respect of the plans for Kooperationens tilläggspension, KTP, for salaried employees and in certain cases supplementary pension benefits for senior executives. The pension plans comprise mainly retirement pensions, invalidity pensions and family pensions.

On July 1 the defined-benefits plan for all employees was replaced by a new pension. The new agreement, the KTP plan, involves changes that differ slightly depending on when the policyholder is born.

Policyholders born on or before June 30, 1978 are covered by KTP section 2, which in principal is a defined-benefits system. This is supplemented by KTP-K which is the defined-contributions part of KTP section 2. Policyholders born on July 1, 1978 up until June 30, 1983 are covered by KTP section 1, which is a defined-contributions plan in its entirety. However, this group had the opportunity during the autumn to elect to remain in the defined benefits scheme. Policy holders born July 1, 1983 or later are covered by KTP section 1, which is a defined-contributions plan entirely.

Because employees hired by Folksam from July 1, 2011 onwards will be covered by a new collective bargaining agreement regarding pensions (the KTP plan), employees working under the KPA Pension switched from the KPA plan to the KTP plan. Policyholders who were not fully fit for work on July 1 due to illness or on leave of absence remain in part in the KPA plan until such time as said policyholders are fully fit for work or return to work.

Pension plans for defined-benefits pensions are secured through provisions to the Coop Pension Foundation.

Folksam General has payment liability for the defined-benefits pension plans of all Folksam employees. Folksam General has assigned the Coop Pension Foundation to take charge of pension disbursements.

In the case of pension commitments by legal entities the Swedish Pension Obligations Vesting Act and the Financial Supervisory Authority's regulations are applied. The right to tax deductions is contingent upon the application of the Pension Obligations Vesting Act. The regulations in IAS 19 in respect of defined-benefits pension plans are therefore not applied but disclosures are provided pursuant to the relevant parts of IAS 19. Pension calculations are based on salary and pension levels on the closing date.

Pension commitments secured in Coop Pension Foundation, SEK million	**2011**	**2010**
Fair value of specially separable assets	3 380	3 129
Pension commitments secured in Pension foundation	– 2 902	– 2 797
Surplus value (incl. buffer capital)	**478**	**332**
The specification of fair value of specially separated assets in the Coop Pension Foundation		
Interest-bearing securities	2 062	1 981
Shares	1 014	864
Alternative investments	–	9
Property	304	275
Total value of specially separated assets	**3 380**	**3 129**
Expenses for in-house pensions		
Provisions to Pensionsstiftelsen	260	28
Disbursed pensions	156	150
Compensation for pension disbursements and administration	– 256	– 150
Special payroll tax on pension expenses, 24.26%	39	7
Less yield on specially separated assets	– 126	– 163
Net expense for in-house pensions	**73**	**– 128**

Note 50. Critical estimations and assumptions

Critical estimations and assessments of the Group's accounting principles

Insurance and investment contracts

According to IFRS 4, contracts that transfer significant insurance risks are classified as insurance. Folksam General deems that insurance risks in excess of five per cent shall be considered significant and a contract is therefore classified as an insurance. A general description of Folksam General's accounting principles for the classification of contracts is provided in Note 1.

All contracts that are insurance contracts from a legal standpoint were subject to an assessment of whether they entail a transfer of significant insurance risk so that they may also be presented as insurance contracts in the accounts (also refer to the section on insurance contracts and investment contracts in Note 1 Accounting principles). The size of the insurance risk was assessed by considering whether there are one or more scenarios of commercial significance in which Folksam General is obliged to pay substantial further benefits in excess of the sum which would have been paid had not the insured event occurred.

Classification of financial assets and liabilities

Folksam General's accounting principles define in more detail how assets and liabilities shall be classified into different categories:

- The classification of financial assets and liabilities held for trade presupposes that the latter correspond to the description of financial assets and liabilities held for trade provided under accounting principles.
- Financial assets and liabilities that Folksam General initially chose to measure at fair value via the income statement presupposes that the criteria under accounting principles are met.

Important sources of uncertainties in assessments

Technical provisions

Folksam General's accounting principles for insurance contracts are described in Note 1. Methods and assumptions that form the basis for the valuation of provisions are also described in Note 1. The sensitivity of the assumptions that form the basis for the valuation of provisions is described in Note 2.

Determining the fair value of financial instruments

A valuation technique described in Accounting principles Note 1 is used when valuing financial assets and liabilities for which no directly observable market price is available. In the case of financial instruments with limited liquidity, the observed market price does not always reflect actual completed transactions. Therefore such instruments may require certain additional assessments depending on uncertainty in the market situation Also refer to the information in Note 27.

Investment property and owner-occupied properties

The valuation of properties takes place with the aid of valuation techniques that involve the use of assumptions regarding different parameters such as discount interest rate and vacancy rates. Refer to Note 1 Accounting principles and Note 15 Buildings and land for more detailed descriptions of valuation principles.

Pensions and similar liabilities

accounting principles for defined-benefits pensions and non-secured pension obligations are described in Note 1. Actuarial assumptions described in Note 35 form the basis for the valuation of the pension obligations.

Impairment test for goodwill

When calculating the recoverable value of cash generating units for assessing the need for any goodwill impairment, several assumptions regarding future circumstances and estimations of parameters were made. A description of these is provided in Note 14. As can be seen in the note changes during 2011 to the conditions for these assumptions and estimations could have a significant effect on the value of goodwill.

Note 51.

Reconciliation of total return table, SEK million	Note	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011
Interest-bearing				
Bonds	20	17 288	20 807	–
Accrued interest	27	270	354	–
Interest derivatives	22, 40	– 2	1	–
Other loans		80	80	–
Other liabilities		–	– 22	
Reclassifications from properties		92	–	–
Reclassification to hedging instrument		1	– 2	–
Reclassification to alternative investments			– 12	
Cash and cash equivalents		638	247	–
Interest-bearing before valuation differences		18 367	21 453	1 433
Price differences				
Different number of settlement days on valuation		15	27	43
Interest-bearing according to TAT		18 382	21 480	1 476
Shares				
Shares and participations	19	4 769	4 003	–
Equity derivatives	22, 40	– 1	– 13	–
Cash and cash equivalents		9	10	–
Reclassification to properties		– 58	– 85	–
Reclassification to alternative investments		– 154	– 135	–
Shares before valuation differences		4 565	3 780	4
Difference valuation rate bid/traded		–	6	5
Valuation principles, futures		1	–	–
Shares according to TAT		4 566	3 786	9
Alternative investments				
Reclassification from shares		154	135	–
Reclassification from interest-bearing		–	12	
Other financial investment assets	23	–	218	
Shares and participations in associated companies	17	–	47	
Loans to associated companies		–	151	
Accrued interest on loans to associated companies		–	11	
Cash and cash equivalents		4	2	–
Alternative investments before valuation differences		158	576	27
Alternative investments according to TAT		158	576	27

Reconciliation of total return table, SEK million (forts.)	Note	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011
Property				
Buildings and land	15	999	1 133	–
Property loans	21	88	88	–
Belonging to subsidiaries that manage indirectly owned property	16	795	790	–
Bank deposits, property		67	62	–
Operating liabilities, property		– 56	– 50	–
Reclassification to interest-bearing		– 92	–	–
Reclassification from shares		58	85	–
Cash and cash equivalents		6	13	–
Properties before valuation differences		1 865	2 121	198
Valuation differences		-	-4	28
Mark to market, indirectly owned properties		-	-	-28
Properties according to TAT		1 865	2 117	198
Hedging instruments				
Forward exchange rate contracts	22, 40	19	41	–
Cash and cash equivalents		–	1	
Reclassification from interest-bearing		– 1	2	–
Hedging instrument before valuation differences		18	44	114
Valuation differences		–	– 2	– 32
Hedging instrument according to TAT		18	42	82
Strategic company holdings				
Shares and participations Group and associated companies, book value	16, 17	1 436	1 405	
Less holding in subsidiaries that manage indirectly owned properties		– 795	– 790	–
Other financial investment assets	23	206	–	–
Strategic company holdings before valuation differences		847	615	33
Updated market values		146	176	–
Strategic company holdings according to TAT		993	791	33
Total		**25 982**	**28 792**	**1 825**

The Board of Directors' and the Managing Director's signatures

The Board of Directors and the Managing Director assure that the annual accounts were, to the best of their knowledge, prepared in accordance with generally accepted accounting principles for insurance companies and that the information provided reflects the actual state of affairs and that nothing of material significance has been omitted which could affect the view of the Company created by the annual accounts.

Stockholm, March 29, 2012

Wanja Lundby-Wedin
Board chairman

Ulf Andersson

Metta Fjelkner

Sten-Åke Karlsson

Kerstin Kujala

Göran Lindblå

Leif Linde

Carina Malmer

Karin Mattsson Weijber

Ella Niia

Annelie Nordström

Bengt Olsson

Christer Pettersson

Annika Strandhäll

March 29, 2012

Anders Sundström
Managing Director

My audit report was submitted on

Thomas Thiel
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Folksam ömsesidig sakförsäkring

Reg. No. 502006-1619

Report on the annual accounts

I have audited the annual accounts and the consolidated accounts for Folksam ömsesidig sakförsäkring for the 2011 financial year.

The Board of Directors' and Managing Director's responsibilities for the annual accounts and consolidated financial statements

The Board of Directors and Managing Director are responsible for preparing the annual accounts and the consolidated financial statements that provide a fair presentation pursuant to the Annual Accounts Act for Insurance Companies and for such internal control as the Board of Directors and Managing Director consider necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatements, whether or not the latter are due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on my audit. I conducted my audit according to International Standards on Auditing and auditing standards generally accepted in Sweden. These standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement.

An audit includes examining by various means and measures evidence supporting the amounts, disclosures and other information in the accounts. The auditor selects which measures to implement, for example by judging the risks of material misstatements in the annual accounts and consolidated financial statements, whether or not the latter are due to fraud or error. In making this risk assessment the auditor also considers those parts of internal controls that are relevant for how the company prepares the annual accounts and consolidated financial statements to provide a fair representation with the objective of establishing review procedures that are effective with regard to circumstances, but not with the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes an evaluation of the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as an evaluation of the overall presentation of the annual accounts and consolidated financial statements.
I believe that the audit evidence I have obtained is sufficient and appropriate as a basis for my opinions.

Opinions

In my opinion the annual accounts and consolidated financial statements have been prepared pursuant to the Annual Accounts Act for Insurance Companies and in all material respects present a fair view of the parent company's and Group's financial position as of December 31, 2011 and of their financial results and cash flows for the year in compliance with the Annual Accounts Act for Insurance Companies. The administration report is consistent with the other sections of the annual accounts and the consolidated financial statements.

I therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to my audit of the annual report and consolidated financial statements I have also examined the proposed allocation of the company's profit or loss and the administration of the Board of Directors and Managing Director of Folksam ömsesidig sakförsäkring for 2011.

Responsibilities of the Board of Directors and the Managing Director

It is the Board of Directors that bears the responsibility for proposing the allocation of the company's profit or loss, and it is the Board of Directors and the Managing Director who bear the responsibility for administration as described in the Swedish Insurance Business Act.

Auditors' Responsibility

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

As a basis for my opinion on the Board of Directors' proposed allocation of the company's profit or loss, we examined the proposal to see if it is in accordance with the Swedish Insurance Business Act. As a basis for my opinion concerning discharge from liability I examined, in addition to my audit of the annual accounts and consolidated financial statements, significant decisions, actions taken and circumstances of the company in order to determine whether any board member or the Managing Director is liable to pay the company compensation. I also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Swedish Insurance Business Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

I recommend that the Annual General Meeting allocate the loss as proposed and that the Board of Directors and Managing Director be discharged from liability for the financial year.

Stockholm, March 29, 2012

Thomas Thiel
Authorized Public Accountant

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