

Press release

Interim report, January – September 2012

Secure financial strength

“By committing ourselves to the things our customers care about, Folksam continues to go from strength to strength,” says Anders Sundström, Group CEO Folksam.

All Folksam’s companies are growing in line with the needs of customers, while its financial strength continues to improve.

Assets under management grew by SEK 31 billion, totalling

SEK 316 billion on 30 September. Total return for the period was 5.6 per cent in Folksam Life and 5.5 per cent in KPA Pension.

	Jan–Sep 2012	Jan–Sep 2011	full year 2011	full year 2010
Folksam total				
Premiums, SEKm (1)	28,876	27,451	33,263	30,496
Assets under management, SEKm (2)	316,186	274,591	285,106	268,170
Of which Swedish equities	56,685	47,060	49,931	57,759
Of which property	18,160	15,865	15,900	14,353
Unit-linked insurance assets, SEKm (3)	60,445	45,135	48,416	49,593
Folksam Life (parent company)				
Earned premiums, SEKm	5,775	5,473	7,130	6,339
Solvency ratio, %	141	131	134	158
Total return, %	5.6	2.7	6.5	8.7
Bonus interest Liv1, % (4)	4.5	6.0	5.7	5.5
Collective consolidation ratio Liv1, %	117.6	112.4	115.3	115.2
Bonus interest Liv2, % (4)	8.2	11.0	11.0	9.6
Collective consolidation ratio Liv2, %	116.0	114.9	116.9	120.6
KPA Pensionsförsäkring				
Earned premiums, SEKm	7,156	6,168	6,664	6,335
Solvency ratio, %	144	140	143	186
Total return, %	5.5	1.9	5.6	8.2
Rate of return, % (4)	5.5	1.9	5.5	8.3
Collective consolidation ratio, %	100	100	100	100
Folksam General (the Group)				
Earned premiums, SEKm	7,686	7,028	9,362	8,822
Total expense ratio	102	103	104	100
Consolidation ratio, %	121.6	105.9	106.8	101.3
Solvency capital, parent company, SEKm	11,836	9,574	10,072	8,821
Consolidation ratio, parent company, %	144.5	114.3	121.5	110.4

1) Covers earned premiums in non-life insurance, earned premiums in traditional life insurance, and payments and fee income from unit-linked insurance investors.

2) Assets under management correspond to assets with a deduction for the value of subsidiaries, and the addition of assets under management in Konsumentkooperationens pensionsstiftelse, Folksam LO Fond, Svenska Lärarfonder and Aktia.

3) Investment assets for which the policyholders bear the risk

4) Average for the period

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Folksam total

Folksam is customer-owned and encompasses the two parent companies Folksam General and Folksam Life, plus subsidiaries. The parent company Folksam ömsesidig livförsäkring (Folksam Life), KPA Pensionsförsäkring AB (KPA Pension) and the Folksam ömsesidig sakförsäkring (Folksam General) Group are accounted for in the report. The parent companies and all subsidiaries are included under the “Folksam total” heading, with the adjustments stated in the footnotes below the table.

Folksam's companies continue to report good results. Total earned premiums increased by just over SEK 1.4 billion compared to the same period last year. By offering modern insurance solutions that are easy to comprehend, Folksam and its subsidiaries enjoy strong organic growth and a stable position on both the life and non-life markets. Distribution via brokers and BIM (Bank Insurance Model) is increasing, while the volume in our own channels is growing.

The negative cost trend for both claims and operating expenses continues. A number of measures have been taken and are expected to have an effect in 2013.

The total return, consolidation ratio and solvency ratio all continue to rise. This financial strength means that Folksam General is launching a bonus programme starting in 2013, amounting to SEK 220 million.

As part of the strategy of broadening the customer base, becoming Sweden's most popular insurance company and growing in line with customer needs in the Nordic insurance market, two important acquisitions have been made in 2012.

At the start of the year, 51 per cent of Aktia skadeförsäkring was acquired. The company mainly has operations in the coastal area of Finland.

An agreement has been signed with Norwegian DNB on acquiring SalusAnsvar. The acquisition strengthens Folksam's position on the Swedish market, not least in the salaried employee and academic customer segments.

Folksam Life

Earned premiums for Folksam Life for the first three quarters of 2012 increased by SEK 302 million compared to the same period the previous year, to SEK 5,775 (5,473) million.

For the first nine months of 2012, Folksam Life reported a total return of 5.6 (2.7) per cent. The return on shares and the smaller difference in interest between housing bonds and government bonds are the main factors that have made a positive contribution.

The solvency ratio was 141 (131) per cent.

At 30 September 2012, the collective consolidation ratio for defined-contribution cooperative occupational pensions (Liv 2) totalled 116.0 (114.9) per cent, and for other business in Folksam Life, it was 117.6 (112.4) per cent.

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The subsidiary Folksam LO Fond AB, partly owned by Folksam General, has transferred the right to manage four funds, Folksam LO Sverige, Folksam LO Västfonden, Folksam LO Obligation and Folksam LO Världen, to Swedbank Robur. The Swedish Financial Supervisory Authority approved the deal on 21 September and it came into effect on 26 October.

KPA Pension

Earned premiums for KPA Pension for the first three quarters of 2012 increased by SEK 988 million compared to the same period the previous year, to SEK 7,156 (6,168) million. This sharp increase is mainly due to the fact that more people have selected KPA Pension as their occupational pension company in the KAP-KL contract area, either actively or by default as a secure option.

For the first nine months of 2012, KPA Pension reported a total return of 5.5 (1.9) per cent. The solvency ratio was 144 (140) per cent.

KPA Pension uses a rate of return that stood at 5.5 (1.9) per cent after three quarters of 2012. Rate of return means that all yield is distributed immediately after each quarter to investors' accounts. For this reason, the consolidation ratio is always 100 per cent.

Folksam General

Earned premiums for the Group are up 9 per cent compared to the same period last year, at SEK 7,686 million (7,028). The positive trend is primarily due to adjustments to premiums but also a certain increase in the corporate portfolio.

The total cost ratio is down compared to the same period in 2011, to 102 (103) per cent. This decline is misleading, and cleared of the effect of changes in interest rates, which affects the provision for life annuity claims, the underlying claims costs have increased compared to the previous year.

A number of measures have been taken and are expected to have an effect in 2013. The negative trend in operating expenses continues and is resulting in a greater focus on internal cost control.

The consolidation ratio in the parent company has been further strengthened by the positive result, totalling 144.5 (114.3) per cent.

In view of its strong financial position, Folksam General is launching a bonus programme starting from 2013. On 1 November the Board of Folksam General resolved on a bonus of SEK 220 million, which reduces the consolidation ratio during Q4 2012. Payment will be made in 2013.

Folksam General has signed an agreement with DNB on acquiring SalusAnsvar AB for approximately SEK 480 million. The acquisition strengthens Folksam's position on the Swedish insurance market, not least in the salaried employee and academic customer segments. SalusAnsvar currently distributes Folksam's home and vehicle insurance via Folksam General's subsidiary Svenska Konsumentförsäkringar.

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About Folksam

Folksam is a customer-owned company. We offer insurance and pension investments. Almost one in two Swedes is insured with Folksam and we are one of Sweden's biggest asset managers. Our vision is that people should feel secure in a sustainable world. Read more at www.folksam.se