

Our customers  
should feel secure  
in a sustainable world

Annual Report and Sustainability Report

2014

**Folksam**

# This is Folksam

Every time we meet a customer, we meet an owner. And we have many owners. We insure nearly one out of two people in Sweden and take care of the pension for more than two million people. This means that Folksam with its subsidiaries are currently one of Sweden's 30 largest companies.

With us, you can insure yourself, your loved ones and your property and save for your pension. Our job is provide you and your family security in every phase of life. The fact that we are owned by our customers provides credibility, long-range thinking and customer benefit, and entails responsibility.

## Four brands, two Groups and 11 insurance companies

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam Non-life) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries. Two of the insurance business' subsidiaries in Folksam Life are part-owned. They are Folksam LO Pension, of which we own 51 per cent, and KPA Pension, of which Folksam owns 60 per cent. In Folksam Non-life, the subsidiary Folksam Skadeförsäkring is part-owned at 75 per cent. The subsidiary Förenade Liv is wholly owned.

## Our vision

Our customers should feel secure in a sustainable world.

## Our business concept

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

## Our overriding objective

We should have the most satisfied customers in the insurance and savings industry.

### Two business goals:

- **Satisfied customers:** Measured through the Folksam Customer Index (FCI).
- **Number of combination customers:** Measured by the number of households that have the combination of car insurance, household or home owner insurance and pension savings.

	Target 2014	Result 2014	Result 2013	Result 2012
FCI	78	79	78	77
Number of combination customers	115,000	113,919	111,486	112,088

# The past year

**The customers are more satisfied than ever:** Our measurements show that our customers are more satisfied than ever before.

**Sweden's largest insurance company:** With a premium volume of SEK 47.5 billion, Folksam with its subsidiaries is Sweden's largest insurance and pension savings player. The Swedish Insurance Federation's industry statistics showed that we are currently the largest player on the market for life insurance and the third largest player in non-life insurance.

**Home insurance received highest marks:** Our large home insurance received the highest rating for the second consecutive year in a comparison conducted by the Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau). Folksam insures 450,000 single-family homes, terraced houses and linked houses.

**Raised bonus interest:** Folksam Life raised the bonus interest rate on traditional insurance twice in 2014. At year-end, it was 7.0 per cent before tax and fees. At the same time, we introduced limits on deposits to strengthen the long-term perspective in the traditional life insurance and protect the already insured customers.

**New offering:** In light of the government's proposal to reduce the deduction right for private pension savings - and on the long term entirely repeal it - Folksam Life stopped the new sale of private pension insurance with running premiums. Instead, we launched a new offer to the customers in December.

**Bonuses:** For the 2014 financial year, a total of 2.4 million customers in Folksam Non-life and Folksam Life share SEK 546 million (480) in bonus.

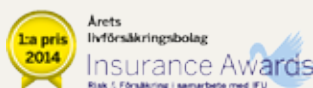
# Prizes and awards



The Unit-linked Insurance Company of the Year in Söderberg & Partners annual Traffic Light Report.



In 2014, we were listed on the Sustainable Brand Index, both Folksam (insurance) and KPA Pension (pension companies).



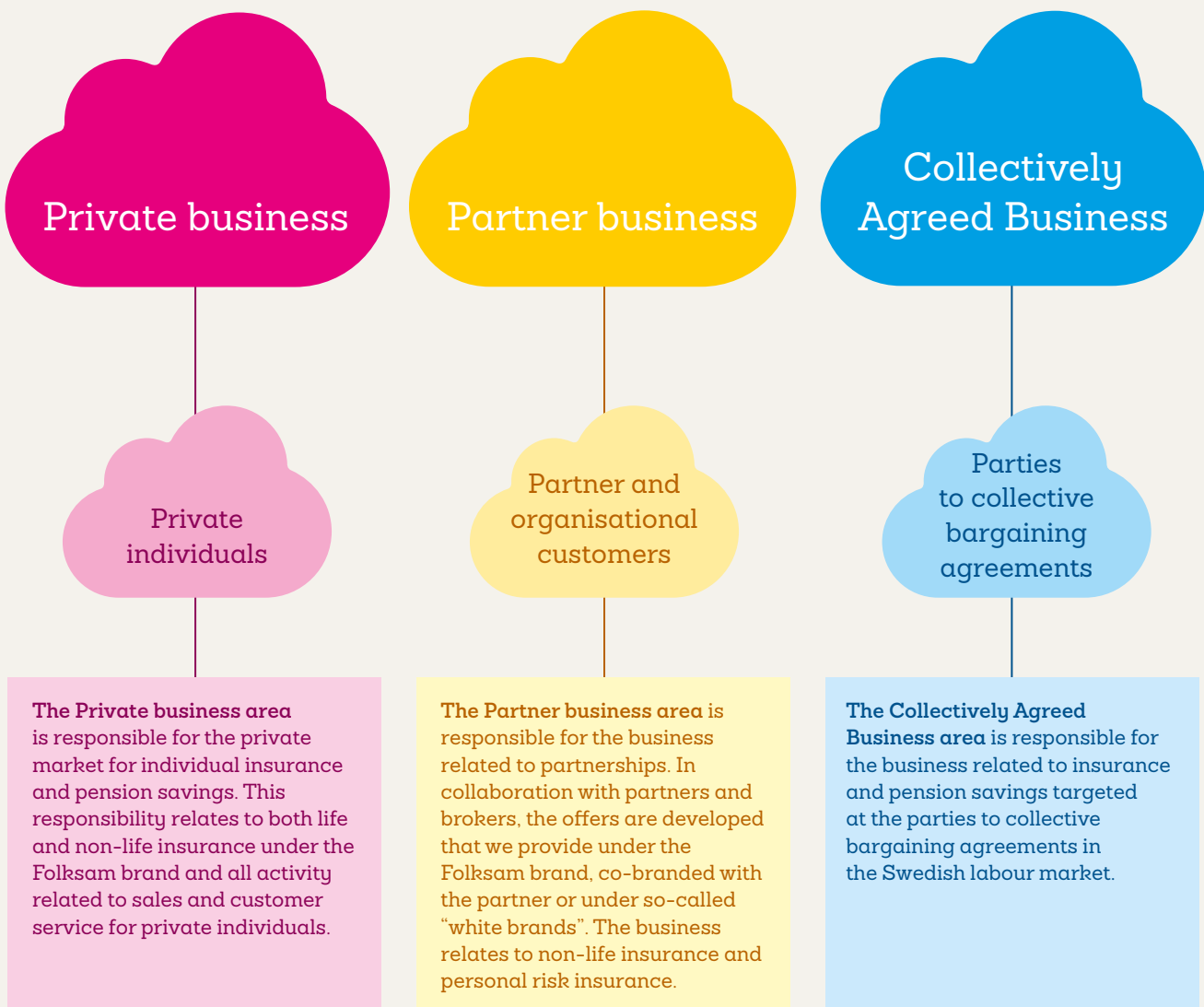
KPA Pension was named the Life Insurance Company of the Year at the Insurance Awards 2014.



A green rating in Söderberg & Partners' report on Sustainable Ownership in Pension Companies.

# An organisation with the customer in focus

Folksam is organised into three business areas: Private, Partner and Collectively Agreed Business. The business areas are comprised of eleven insurance companies that are active under four brands.



# Three reasons to choose Folksam



## We are there for our customers

Folksam is a mutual – or a customer-owned – company. For us, the customer and owner are always one and the same. Therefore, we get involved in what is important for our customers. Instead of distributing the profit as dividends to shareholders, it goes back to the customers. This takes place in the form of a bonus, premium reductions or even better service, services and offers.



## We take responsibility

Our operations, being a mutual company and our size entail a responsibility. As a major player and investor, we have the opportunity to exert influence, have a long-term approach and contribute to sustainable development. We therefore do business that increases security for our customers at the same time that we safeguard people and the environment.



## We are financially strong

Our financial strength gives us good conditions to develop attractive products for our customers. Among other things, this has contributed to a good long-term return, among the highest in the industry, in our customers' pension savings. Both Folksam Life and the subsidiary KPA Pension have significantly more assets than are needed to pay out the guaranteed pensions.

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# More liked than ever

We want our customers to feel secure in a sustainable world. In many ways, 2014 was a good year for Folksam and its subsidiaries. We are growing strongly on the market and our customers are more satisfied than ever.

Today, Folksam is one of Sweden's 30 largest companies. We are also currently the largest player on the market for life insurance and the third largest player in non-life insurance. In 2014, our customer paid in nearly SEK 48 billion in premiums in pension savings, personal risk and non-life insurance. In total, we manage more than SEK 350 billion, which makes us one of Sweden's largest institutional investors. Our customers are benefited by our large size, because the more people who join together to distribute risks or income over time, the more competitive offerings we can develop.

2014 was an eventful year. There is a lot that affects us and the customers. Low market interest rates, extreme weather and extensive rule changes are three examples. We are faced with new requirements in the form of digitisation of the economy, increasingly healthy people who live longer and of course issues of sustainability.

To be able to continue to take advantage of this world view, we established a new strategy during the year for Folksam with its subsidiaries. Or more accurately, we refined our earlier strategy. What we have done for more than a century – combining heart and mind to create security for our many customers – is what we will continue doing. It is as modern and successful now as it was then.

In line with the strategic update, we increased our already high pace of change during the year. We currently conduct large and small projects which all involve smart, innovative solutions and fulfilling regulations set up by legislators. Our largest challenges are on the IT side. During the year, we tuned up the organisation in a few places to modernise, improve efficiency and consolidate. Each effort will contribute to reducing the number of mistakes, improving the efficiency of the operations and increasing customer benefit.

The work of focusing on existing customers is bearing fruit. We are growing in virtually every product area, at the same time that we continue to develop our relationships with our partners. We have also continued to develop our contacts with the customers, especially on the Internet.

There is considerable interest in our traditional life insurance with equalized bonuses, a guarantee on invested capital, low fees and a stable growth over time. This interest is large enough that we had to limit the investment possibilities at the end of the year to safeguard the product's long-term perspective. We also focused on pension savings prior to the reduction of the deduction right beginning in 2015. We launched a new savings alternative in our largest customer campaign to-date.

All of these activities are about taking responsibility for our customers. Almost one out of two Swedish citizens has a Folksam insurance policy, and a great many Swedish pensions depend on what we do, or do not do. Considering our kind of business, acting in a sustainable manner involves having sound governance, clear strategies and targets, and proper organisation. It also involves being a socially dedicated company and supporting principles such as the UN Global Compact and the Principles of Responsible Investment (PRI). We also believe that our values make us increasingly successful at attracting the right employees.

I am proud of everything we have achieved. It is pleasing to see how we succeed in taking advantage of the events in the surrounding world and increase both market share and the proportion of satisfied customers.

But we have a lot left to do. Even though almost one out of two Swedes is our customer, the vast majority only purchase one insurance policy. In other words, there is huge potential. In 2015, we will therefore continue our goal-oriented work to achieve the industry's most satisfied customers.

Stockholm, March 2015



**Jens Henriksson**

President and CEO of Folksam  
with its subsidiaries.



“We want our customers to feel secure in a sustainable world”

# A changing world

By identifying what surrounding trends affecting our business that we must relate to, we can generate opportunities for long-term, sustainable growth.



## Digitisation of society

We live in a new technological era that demands a digital presence and new ways of selling and distributing services.



## Population and lifestyle changes

More of us are living longer. Lifestyle changes and social reforms change the needs of people and their expectations on players in insurance and pension savings.



## Environmental and climate threats on the agenda

We live in a global economy where climate changes affect everyone. If we do not act now, few will be able to afford insurance in the future.



## New rules and regulations

Companies in the insurance and pension savings industry are affected by new laws, rules and voluntary regulatory initiatives, both in Sweden and the EU. This demands rapid adaptation and keeping good order.



## Macroeconomic and geopolitical unrest

Sweden is a part of the global economy and when other countries are afflicted by economic problems or unrest, it has an impact on us.

# 1 Digitisation of society

More and more needs – both at work and in free time – can be met using computers, smartphones and tablets. New technology creates new expectations and companies encounter a growing demand for digital services. Anyone who wants to buy, often looks for and compares goods and services online. And the customer wants to take care of his or her matters and get answers to his or her questions, regardless of time or place. The digitisation places growing demands on companies. Both in terms of a digital presence and the ability to predict customer behaviour.

More and more of our customers contact us over the Web and on social media. When we ask them how they want to have contact with us, the answer is clear: Over the phone and online. It is therefore self-evident to us to continue investing on increasing our digital presence and fulfilling the customer's expectations of availability and service in digital channels.

**“Nine out of ten Swedes between the ages of 6 and 65 use the Internet”**

*The Swedes and the Internet 2014, .SE*

**“Almost one out of two Swedes use social media everyday”**

*The Swedes and the Internet 2014, .SE*





## 2 Population and lifestyle changes

We are growing in number, living longer and living in cities to a greater extent. This entails changes in both lifestyle and living standards. Lifestyle changes and social reforms, like when the national health insurance system was changed in 2008, are accompanied by new needs for security. At the same time, an increased average life expectancy means that we are healthy and active further at higher ages, but also that we work an ever shorter part of our lives. This places higher demands on the individual saving for his or her pension on his or her own at the same time that insurance companies must ensure that the pension money last longer. Our cities are developing in pace with the growth of the population and this in turn places growing demands on urban planning. Not least in terms of traffic.

To meet our customer's needs for security both today and in the future, we must adapt and develop products to an even higher degree that offer the insurance protection that the customer needs. It is a matter of working with everything from injury prevention road safety research to life-long pension disbursements.

**“Average life expectancy in Sweden has increased almost continuously since the 1860s. In 50 years, it may have increased by five years for women and seven years for men”**

*Statistics Sweden 2012*

**“One out of five Swedes commutes by bicycle to work or school/university every day”**

*The Bicycle Trend Report 2014, Svensk Cykling*

# 3 Environmental and climate threats on the agenda

The on-going climate change affects everyone. Natural disasters have become increasingly common in the world and also tangibly affected us in Sweden last year. For insurance companies, the effects are immediate. A warmer and wetter climate can, among other effects, make mould damages to our homes worse and a higher sea level threatens homes near the coast and waterfront. If the emissions of greenhouse gases continue at the current rate, it will entail major challenges for the insurance industry since few will be able to afford insurance in the future. The reinsurance company Munich Re has estimated that climate related claim expenses for the entire industry worldwide now exceed SEK 1,000 billion annually.

We want to contribute to a more secure world through investments in the environment, traffic and responsible investments. We must also act responsibly and long term in everything we do. A reduced climate impact is an important part and is also one of the requirements in our Good Environmental Choice labelled insurance products.

**“If nothing is done to reduce climate emissions, the Earth’s average temperature will increase by 3.7-4.8 degrees by 2100”**

*Climate Change 2014, the UN climate panel*

**“We already have three times as many weather disasters as in the 1980s”**

*P.Höppe 2011, Munich Re*



# 4 New rules and regulations

Insurance and pension savings companies are affected by changes to laws and regulations as well as voluntary regulations of various types. And new initiatives are continuously arising – both in Sweden and the EU. It is important to quickly be able to adapt to new conditions on the market. Moreover, proper order is necessary to maintain the confidence that authorities and other stakeholders have in us, regardless of whether it involves the right of transfer, a ban on commissions or new rules for a uniform European insurance market.

It is of the utmost importance for us as a customer-owned company to monitor and pursue issues that affect our customers. In order to exert an influence on such changes, we involve ourselves in a number of key issues such as Solvency II and the Occupational Pension Directive. This involves various measures like training in risk management, a revised business planning process and the establishment of guidelines and requirements in the company. We have also chosen to join voluntary initiatives, such as the UN Global Compact, Principles for Responsible Investment (PRI) and Good Environmental Choice.

**“The Occupational Pension Directive is a part of the EU work to create a well-functioning internal market for financial services”**

*Swedish Financial  
Supervisory Authority*

**“Among other things, Solvency II should provide better consumer protection and create a common European financial market”**

*Swedish Financial  
Supervisory Authority*





## 5 Macroeconomic and geopolitical unrest

The global economic situation in 2014 was characterised by greater pessimism, with growing concern for the development in both Europe and China. Falling energy and commodity prices, a continued high supply of labour from Asia and substantially low inflationary pressure are some factors that contribute to the uncertain development. Geopolitical areas of unrest mainly in the Middle East, Hong Kong, North Korea, the Ukraine and Russia also contribute to uncertainty.

The U.S. economy is again developing positively, but cannot hold up the entire global economy. The problems in the European economic development have consequences for the financial markets and for Sweden, with lower productivity and competitiveness and rising unemployment as a result. The anticipated GNP growth for Europe in the next few years is modest. The expectations are somewhat better for Sweden. Today, we are in an historic low interest environment where the Swedish Central Bank has lowered the key interest rate to a negative rate.

For Folksam, the euro crisis and the non-existent interest rate affect the returns in our savings products and make it more difficult to maintain guaranteed benefits. We must therefore continue our goal-oriented work to go from good to better.

**“The emerging markets are estimated to account for more than 70% of the global economy’s expansion in the next three years”**

*EKN 2014*

**“A record number of people were fleeing from war in 2014. In total, there were far more than 50 million refugees in the world”**

*UNHCR 2014*

# The market is developing in Folksam's direction

A lot happened on the market for insurance and pension savings in 2014. Digitisation, new technology and regulatory changes continue to change the playing field at the same time that the political and economic situation is causing uncertainty. 2014 was also the year that the weather and forces of nature significantly affected the customers and the market players. For Folksam, the year meant that we are currently the largest player in life insurance and the third largest player in non-life insurance.

Changed rules and new players are two factors that affected the markets for life and non-life insurance in 2014. The year was also characterised by extreme precipitation, thunder storms and forest fires in Västmanland, which sharply increased claims payments for the industry players. According to the Swedish Insurance Federation, nearly 31,000 claims related to natural causes were reported to the insurance companies in Sweden in 2014 and the costs are expected to amount to around SEK 1.6 billion. At the same time, the macroeconomic situation, and the low interest rates in particular, as well as political uncertainty in Sweden have affected the conditions for life and non-life insurance.

## A focus on regulations

In light of the reduction of the deduction right for private pension savings beginning in 2015 and its full repeal in 2016, many players (including Folksam) halted new sales of private pension insurance with continuous deposits in the first half of 2014. Towards the end of the year, we instead launched a new flexible endowment insurance that does not have deductible savings, but is free from income tax when it is paid out.

Free right of transfer, which means that earned pension capital can be transferred from one insurance company to another, was another change that began to apply in September for a number of municipal occupational pension agreements. The previous government published a memo during the year regarding stronger consumer protection for the brokering of insurance and in it proposed a ban on commissions if they affect the customer's interests negatively.

In the autumn, it was proposed that a new company form, an occupational pension institute, should be established in Sweden alongside of insurance companies. These new companies should offer pension benefits and other related benefits that are linked to employment. The companies should be subject to the EU occupational pension directive (IORP) and not the Solvency II directive. These regulatory changes are expected to begin to apply as of 2018.

## Competition from a new direction

Traditional insurance companies, especially in the non-life insurance industry, are facing growing competition from players in other industries that offer customised possibilities with, for example, mobile apps and continuous online support. Retailing players like Ica and Ikea, which have far more customer contacts than traditional insurance companies, are competing with their own insurance solutions for their customers.

On the life insurance side, traditional life insurance continues to be an attractive solution for pension savings. This led SEB, for example, to announce at the end of the year that it will begin offering new savings in traditional insurance in 2015. At the same time, both Folksam and Skandia introduced limits on deposits in traditional life insurance to promote its long-term perspective and prevent it from being used for short-term capital investments.

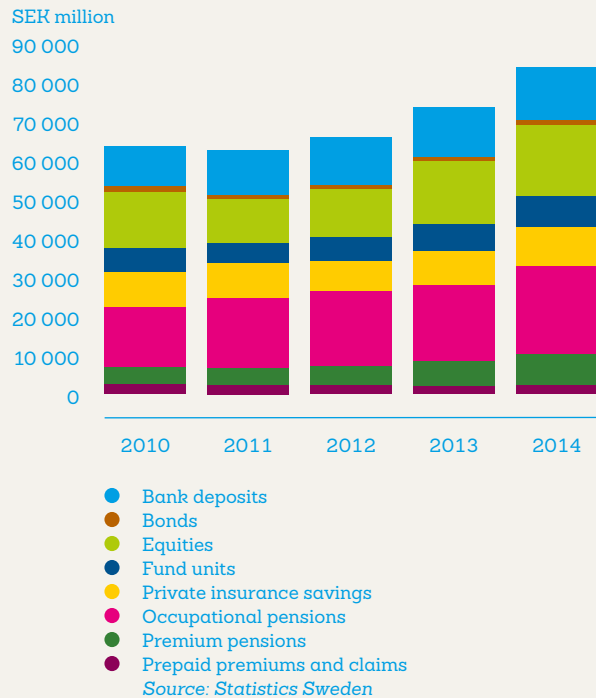
## A growth market

In 2014, total premiums written in life and non-life insurance amounted to SEK 302 billion compared with around SEK 260 billion in 2013.

Today, there are around 400 insurance companies in Sweden, but the market is dominated by a few large companies and corporate groups. In non-life insurance, the four largest players have 81 per cent of the market and in life insurance, the four largest have 50 per cent of the market. In Sweden, where there is a large occupational pension market, nearly one third of the total life insurance premiums is sold via middlemen, such as brokers and agents. On the European market, this proportion is substantially lower according to figures from the Swedish Insurance Federation.

Within savings, insurance is the most common form of savings for Swedish households. Of the households' assets of SEK 10,487 billion at the end of 2014, insurance savings accounted for 41 per cent. Figures from Statistics Sweden (SCB) show that the total savings in occupational pensions amounted to SEK 2,273 billion at the end of last year, of which traditional insurance accounted for 73 per cent and unit-linked insurance accounted for 27 per cent. Total savings in private insurance savings in turn amounted to SEK 983 billion, of which the majority (74 per cent) was in traditional Swedish insurance. Other forms of saving are bank, equity and unit-linked savings.

Household financial savings by form of savings, 2010-2014



## Folksam largest in life insurance

According to Swedish Insurance Federation figures for 2014, Folksam reinforced its position as a market leader in life insurance and climbed from fourth place to third place in non-life insurance.

Folksam's market share in 2014 measured in paid-in premiums (new and old) for life insurance amounted to 17.4 per cent. This corresponds to SEK 31 billion of SEK 181 billion (163) in total. Folksam is thereby the largest life insurance company.

On the non-life insurance side, the total premium volume increased by 5 per cent. At year-end, Folksam had 16.4 per cent of the total market of SEK 70 billion (67). We are thereby the market's third largest player.

At the same time, this makes us one of Sweden's ten largest institutional investors. At the end of 2014, we managed assets of SEK 350 billion. This can be compared with the insurance companies' total managed investments of SEK 3,879 billion (3,427) in 2014.

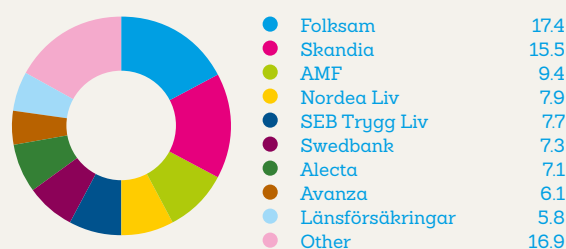
## Pension savings

Folksam's premium volumes in traditional insurance continued to grow strongly in 2014. Our strong key figures, not least a bonus interest rate of 7.0 per cent since 1 September (8.0 per cent since 1 February 2015), and the broad sales through our own sales force and broker cooperation contributed to the increase. To prevent the traditional life insurance from being used for short-term capital investment, we introduced a deposit ceiling of SEK 25 million per insured at the end of the year. Just before year-end, we also limited annual deposits to SEK 500,000 per insured and year and set a ceiling at SEK 10 million per insurance contract.

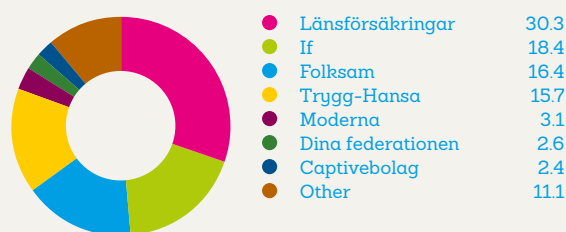
Premium payments from savers in unit-linked insurance have also increased in the past five years as a result of the efforts we have made on the broker market and collective agreement occupational pension. An improved fund offering to the customers is another important success factor for the continued growth. The total unit-linked insurance assets in the four companies amounted to SEK 100 billion at year-end.

Collectively agreed pension from the employer accounts for a significant part of Folksam's total premium volume, primarily through KPA Pension. Since 2013, KPA Pension, Folksam or Folksam LO Pension can be selected as the manager of the contractual pension in all agreement areas. Within Folksam, there is also a continued development of the offering for the individual occupational pension market, meaning occupational pensions from employers who do not have collective agreements.

Market share total life market, per cent



Market share non-life insurance, per cent



## Non-life and personal insurance

Premiums earned increased in both household and home owner insurance as well as auto insurance. Sales and the number of insurance policies rose among in part as a result of more customer loyalty and continued focus on combination discounts. At year-end, 506,500 customers had insured both their home and their car with Folksam. The take-over of SalusAnsvar's customer portfolio has been successful and was almost completed at year-end 2014.

Within personal risk, the premium volume was stable during the year. Thanks to a good return on assets, the premiums have been able to be reduced in KPA Pension. Sales of medical care insurance, where Förenade Liv is the insurer, increased strongly in 2014.

“In 2014, Folksam was the largest life insurance company”



## More about: Insurance and pension savings

Insurance can, at a low cost, provide individuals and companies financial protection if anything happens. The pension savings and insurance industry is therefore an important part of the economy. A few brief facts about insurance and pension savings in 2014:

- 95 per cent of Swedish households have home insurance. Nearly 4.8 million (4.7) household and home owner insurance policies were taken out.
- There were 275,000 boat insurance policies and 580,000 holiday home insurance policies. There were 790,000 claims in household and home owner, holiday home and boat insurance.

The vast majority of employees have occupational pension insurance.

- The number of people with private or employer-paid medical care insurance increased by around 50,000 in 2014. At year-end, the total number of medical care insurance policies was 622,000, corresponding to premiums written of just over SEK 2.5 billion. Growth in this insurance line is 54 per cent in the past five years.
- In 2015, the deduction right for private pension savings was lowered from SEK 12,000 to SEK 1,800 per year.

Source: Swedish Insurance Federation

# We get involved in what our customers care about

In Folksam, the customers are also our owners. This means that we are there for our customers' sake and have their best interest in mind in everything we do.

Nearly one out of two Swedes is a Folksam customer today. This corresponds to just over four million customers. Folksam is the only company in Sweden that has a strong position in both life and non-life insurance.

Our foremost responsibility is to provide security to our customers with good solutions for non-life and personal insurance as well as pension savings. Three examples of this are our child insurance that includes all children, group insurance that does not risk select and life-long pension disbursements. The fact that we are customer-owned also contributes to a long-term perspective in our operations. We constantly adapt and develop our offers in accordance with the driving forces and the changes affecting our surroundings, market and our customers. As Sweden's largest company in insurance and pension savings, we have good possibilities of influencing and contributing to sustainable development. This way, we approach our vision that our customers should feel secure in a sustainable world.

Being able to handle our surroundings as well as requests and requirements from our customers and other stakeholders is crucial for our long-term success. A stakeholder survey from 2013 indicates that the most important issue for our stakeholders is that we are financially strong and have the right premiums. As a customer-owned company, we are at the same time expected to act based on a long-term perspective and to take social responsibility. We therefore focus on three areas that our customers have pointed out as important for our core business:

- 1) Damage and injury prevention
- 2) Responsible ownership
- 3) Environment.

Our work with road safety research provides, for example, us and our customers continuous new knowledge that contributes to reducing the risk of or completely preventing road damage and injuries and their consequences. One example where this work also provides concrete advantages for the customers is the extra benefit we entice new car buyers with to make a safe and sustainable choice. They receive a 10 per cent discount on the insurance premium if they choose a car that meets our requirements. We also offer discounts for cars and motorcycles with automatic brakes and ABS brakes.

In terms of our investments, we have investment guidelines that prevent us from investing in certain industries (read more on page 41) and we influence the companies we have shareholdings in towards a more sustainable direction.

Our environmental work pertains to everything from "Good Environmental Choice" certified insurance products and high environmental standards on replacement vehicles to environmental responsibility in daily work, such as business travel. A measurement of customer calls in 2013 shows that we increase sales by 7 per cent when we tell about our responsibility for the environment.

Our three responsibility issues are also something that our other stakeholder groups - employees, the financial market, opinion leaders, decision makers and partners - are aware of and want us to work with.

We continuously conduct surveys and dialogue with our five primary stakeholder groups where, among other things, we ask what they think of Folksam's sustainability work.



## Employees

When we ask our employees about distinguishing characteristics for Folksam, "Financial strength", "Good ethics and high morals", "Success on its market" and "High degree of social responsibility" are ranked highest.

96 per cent say that they like that Folksam works with responsible investments. Of the employees who use responsible investments as an argument in contacts with customers, the vast majority (89 per cent) say that it interests the customers.

## Opinion leaders, decision makers and the financial market

Among opinion leaders and the financial market, Folksam is perceived as a player that accepts social responsibility at the same time that the fact that we are customer owned provides credibility and means that we are perceived to

act long term. These stakeholder groups also give us a special position in terms of road safety, environmental issues and corporate governance and owner issues. Many also perceive that it is becoming increasingly important for the customers that Folksam takes greater consideration to sustainability, ethics and owner governance issues.

## Partners

Our partners appreciate the open and transparent collaborative climate and the long-term perspective that characterises our relationships. Over time, we have developed well-functioning ways of working where we continuously adapt to changes and needs through dialogue, even if we can always do more to create the right expectations and increase the professionalism in every relationship.



## More about: Our sustainability efforts

In 2014, we worked to adopt a sustainability policy for Folksam with subsidiaries based on the areas where our activities have the greatest impact. It establishes our view of sustainability and identifies three main areas for our sustainability commitment:

- Our customers and surroundings
- Products and asset management
- Own operations

# Vision and strategy

We work so that our customers will feel secure in a sustainable world and be the most satisfied customers in the industry. Folksam shall become a more modern financial company in insurance and pension savings that conducts business with both heart and mind.

## Our vision

*Our customers should feel secure in a sustainable world.*

Our job is to provide security to our customers in every phase of life. With us, the customers can insure themselves, their loved ones and their property and save for their pension. This way, we create security in society in general. We get involved in what our customers care about and therefore also promote sustainable development, mainly within the scope of responsible investments, traffic and the environment.

## Our business concept

*To be the customers' company that offers popular insurance policies and pension investments that provide security.*

## Our values

Folksam's values are that we shall be **personal**, **committed** and **responsible**. Our values guide us in our work to achieve our goals. We are:

- **Personal** by showing consideration, conducting a dialogue and working based on the customer.
- **Committed** by being active and taking the initiative for the customer and by seeing opportunities and being solution oriented.
- **Responsible** by being reliable, knowledgeable and long term.

## Our overriding objective

*To have the most satisfied customers in the insurance and pension savings industry.*

This is a given objective for us since it is our customers who own Folksam and we can therefore focus solely on generating the greatest possible value for them.

“Our customers  
should feel secure in  
a sustainable world”

## Our goal structure

We measure our overriding objective by combining two business targets: “Satisfied customers” (Folksam Customer Index, FCI) and “Number of full combination customers” (number of customers who have the combination of car insurance, household or home owner insurance and pension savings with us).

Our recurring customer survey FCI provides our customers considerable influence. The measurements give us customer insights, identify our strengths and weaknesses and show how we fulfil our customer targets. We have working groups that quarterly interpret and analyse how it is going and identify areas for improvement for our business plans.

Our goal of increasing the number of full combination customers entails both advantages and possibilities for us. Of our more than four million customers, it is still just a small portion that we class as full combination customers, which are those who have home and car insurance and pension savings with us. With so many customer relationships, we can concentrate on developing them instead of seeking new customers. The better relationship we have with each customer, the longer they stay with us (see figure page 49).

The overall objective and both of the business goals are broken down into five different target areas:

- **Volume** comprises targets on premium volumes in relation to the market and cash flow.
- **Customer benefit** comprises targets on our customer and claims management.
- **Competitiveness** addresses targets that measure our ability to achieve relative advantages over our competitors.
- **Attractive workplace** comprises targets among existing and potential employees.
- **Financial stability** addresses measurements on risk in a long-term perspective and supervisory requirements on capital strength. At the same time, the financial targets indicate restrictions and form a framework within which the overall objectives can be achieved.

Based on these, the respective business area/unit sets up goals that are broken down all the way to targets for each individual employee.

	Target 2014	Result 2014	Result 2013	Result 2012
FCI	78	79	78	77
Number of combination customers	115,000	113,919	111,486	112,088

## Our aim and level of ambition

With just over four million customers, almost one out of two Swede is one of our customers. Many of them come to use through cooperation with union organisations and other partners. It is based on this asset that our strategic work shall be viewed. This also means that our focus is to develop the relationships with our existing customers ahead of seeking new customers.

We have concretised the strategic aim and level of ambition of the business in the following manner.

### We want:

- to be the insurance company of the whole of Sweden
- to have many customers
- to reach large customer groups through parties to collective agreement and partners
- to cultivate the customer relationships so that the customers become combination customers, have strong relationships with us, stay longer and like Folksam
- to always strive to make every customer satisfied.



## Our main strategic areas

Folksam shall be a modern financial company with sound values. We shall provide security and safeguard our customer capital so that both economic stability and customer confidence remain high. To be able to approach our vision and achieve our goals, in the next three years, we will focus on the following areas:

1. Proper order
2. Infrastructure
3. Professionalism

### 1. Proper order

Our business and organisation shall at every individual occasion be characterised by proper order. We shall have clear, effective and risk based governance and we shall have good internal control. Proper order is required to safeguard our customers' and owners' security, maintain confidence among authorities and other stakeholders, and to be able to increase focus on business benefit.

### 2. Infrastructure

Our operations shall be modern, efficient and consolidated in terms of infrastructure, processes, expertise and information support. The operations Folksam conducts are based on access to various kinds of information. To enhance the efficiency of the handling of the information, it needs to be digital. The customers expect increasingly more from the digital presence of a modern company and have growing demands on simple digital self service. This requires us to have information support and competencies that support this.

### 3. Professionalism

As a modern financial company, Folksam shall be operated professionally. Our operations shall always think and act based on the customer's needs. Our offerings shall satisfy needs that are shared by many and the customer shall feel that it is easy to work with us.

Below, we describe the most important strategic activities that extend over all of Folksam with subsidiaries. We also work with a number of strategic projects that do not comprise the entire Group.

Main strategic areas	Description	Implementation 2014	Work 2015
<b>Proper order</b>			
Solvency II	Creation of a uniform European insurance market with better protection for the policyholders.	<ul style="list-style-type: none"> <li>• Structure of processes and IT support.</li> <li>• Roll-out of new internal regulations in parent companies and subsidiaries.</li> <li>• Adjustment of the own organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in the preparatory reporting to the Swedish Financial Supervisory Authority.</li> <li>• Continued development of processes and systems.</li> <li>• Remaining internal regulations and organisational changes.</li> </ul>
<b>Infrastructure</b>			
Digital transactions	A more customer-friendly and efficient digital presence. Make it easier for the customers to review their insurance needs, buy and manage insurance policies and contact us.	<ul style="list-style-type: none"> <li>• Have developed concepts for folksam.se and all of its functions.</li> <li>• Procured new platforms.</li> <li>• Began three projects in the scope of the programme, including proactive customer communication.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare an initial delivery of the new folksam.se.</li> <li>• Start new projects, including for content, customer offers and improved claims service.</li> </ul>
Improved claims handling	Greater customer benefit through effective IT support for the business. The objective is optimised claims handling, more direct adjustment and automation.	Delivery of solutions for document management, statistical tools and automation.	Deliveries such as a new payment solution, automation of car glass claims, the report of bicycle thefts, baggage delay and stolen mobile phones.
Attractive workplace	An attractive workplace with well-known and competitive offerings for present and future employees.	<ul style="list-style-type: none"> <li>• Updated competency strategy.</li> <li>• Supported the introduction of activity-based ways of working.</li> <li>• Supported competency relocation within prioritised operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare systems strategy.</li> <li>• Support the introduction of activity-based ways of working.</li> <li>• Support competency relocation within prioritised operations.</li> </ul>
Organisational consolidation	Secure an effective and customer-adapted organisation.	<ul style="list-style-type: none"> <li>• Concluded integration of Salus-Ansvar and SPP's portfolio.</li> <li>• Modernised claims organisation.</li> <li>• Review of Folksam Fastigheter's organisation due to the new investment strategy.</li> </ul>	Continued review and implementation of decisions on organisational changes.
<b>Professionalism</b>			
Customer development	Increase the commitment of current customers and increase the number of full combination customers with both life and non-life insurance.	<ul style="list-style-type: none"> <li>• Continued implementation of our needs-adapted sales and service process in all channels.</li> <li>• Continued implementation of the multichannel strategy – to meet the customers in the channels they want and when they want.</li> <li>• Began the effort on the life insurance market to increase the number of full combination customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Easier online purchases of life insurance and savings products.</li> <li>• Raise and broaden CRM expertise on the customer development strategy.</li> </ul>

Strategic area	Description	Implementation 2014	Work 2015
<b>Professionalism</b>			
Develop the offering in individual occupational pensions.	Grow in individual occupational pensions both through our own distribution and external distribution channels.	<ul style="list-style-type: none"> <li>• Increased the intensity of our cultivation of the market for individual occupational pensions.</li> <li>• Developed a more competitive market offering.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the activities towards brokered channels.</li> <li>• Continue further development of the occupational pension plan offering, both in terms of scope and quality.</li> <li>• Develop our own B2B expertise.</li> </ul>
Insurance documents	Develop Folksam's insurance documents for end customers, both as regards communications and systems.	<ul style="list-style-type: none"> <li>• Developed new documents for testing.</li> <li>• Built up processes and IT support to handle the new requirements on the insurance documents.</li> </ul>	<ul style="list-style-type: none"> <li>• Launch new documents for selected products for end customers.</li> <li>• Further develop systems.</li> </ul>





# Customer value in every stage

1. Product development and offerings

2. Sales and marketing

3. Service and advice

4. Asset management

## 1. Product development and offerings

We shall offer products that provide protection for various events and contribute to our customer's security through the various phases of life. The customers should perceive our products as both easy to relate to and as important. They should also be distinct and easy to understand.

We change and develop our offering in pace with how the surroundings – and thereby customer needs – change. We also want our products to be among the three best in neutral and credible product comparisons. This way, our customers get proof that we have a good and competitive insurance.

## 2. Sales and marketing

We know that our customer contacts affect customer satisfaction. In sales contexts, we should work based on each customer's individual needs when we offer insurance, always inform about conceivable alternatives and never convince a customer to take out insurance or purchase any other service the customer does not need. Folksam's ethical rules guide us in our daily work. In the encounter with us, we want the customers to feel that we do what we say – according to generally accepted practice and good judgement.

## 3. Service and advice

It should be easy to get in touch with us. This means that we have to be present in the channels the customers want to meet us in and that they get answers within a reasonable amount of time. Folksam's customers mainly want to take care of their matters over the phone and online.

We provide advice on what one can do to avoid damage and injury, among other things in connection with fires and burglary, and in pension savings.

For customers who do not have Swedish as their mother tongue, we offer customer service in 19 different languages – including sign language.

## 4. Asset management

We are one of Sweden's largest investors and managed assets of SEK 350 billion at the end of 2014. Focus in our investments is long-term security for our customers based on returns and sustainable development. In order to achieve good risk diversification, we distributed our investments over various kinds of assets and markets. We invest the customers' money in interest-bearing securities, equities, properties and alternative investments (unlisted assets). We also have investment guidelines and work with owner governance in the scope of our investments.

“We should have the most satisfied customers in the insurance and pension savings industry”

## 5. Claims adjustment

## 6. Pension disbursements

## 5. Claims adjustment

In 2014, we repaired damaged cars and houses for an amount of SEK 2.7 billion. This gives us major opportunities to exert an influence. When we compensate damaged houses and cars, we place requirements on our suppliers: We renovate houses with good and sustainable materials, we buy and recycle spare parts on damaged vehicles and when the customer gets a rental car, we require it to have a high safety and environmental standard. Re-using and repairing instead of buying new does not just represent a gain for the environment, but is also a good deal for Folksam and our customers.

## 6. Pension disbursements





Pension savings are far in the future for many people, which presupposes a long-term perspective. To be able to keep our promises, and in order for customers who save for their pension to feel satisfied when the pension begins to be paid out, we must have proper order in our operations. During the entire saving period, we shall generate as good and secure a return as possible for the customers who save for their pensions.

## Customer insights

Our surveys show that the customers who have contacted us are more satisfied than those who have not. This applies to both customer service and claims adjustment as well as on the Internet and in our bonus statements. Therefore, we work to increase the frequency of the customer contacts, not least over the Internet, and use the information provided by every customer encounter to continuously develop our offerings in accordance with the customers' changing needs.



On the following pages, we concretise our strategies and our value-generating work. We describe Folksam and our subsidiaries' operations and influence and present what we have achieved in 2014.

-  Our offering and asset management
-  Our contact with the customer
-  Our own operations
-  Our role in society

# Our offering and asset management

We offer life and non-life insurance and pension savings under four brands and 11 companies with a focus on the Swedish market. The offering can be divided into pension savings, personal risk, and non-life insurance. It should meet the needs shared by many people and is characterised by high quality.



# We provide security for our customers

Our products should both provide security to our customers and make them feel secure. These two needs often coincide, but not always. Liability insurance is one example of something that few customers request when they buy insurance. But we know there is a large need when the unlikely damage nonetheless occurs. It may then involve damage claims for millions of SEK that the individual must pay. What customers often request is for the insurance to compensate concrete, often minor, costs such as doctor's appointments or stolen property. Our job is to cover both of these needs.

We also want our insurance policies to be among the three best in the industry in independent and credible product comparisons. To ensure that our offerings meet customer needs over time, we continuously develop them, mainly through dialogue and market intelligence. Today, digitisation in particular requires us to adapt our offering to how the customers want to buy insurance and what service they want. We also need to have insurance products that are easy to understand. In 2014, we devoted a great deal of effort to this adaptation, especially through the "Digital transactions" programme.

## Important "sources of information" for our product development:

- Our employees who meet our customers daily.
- Our individual customers who provide feedback in customer surveys and focus groups.
- Dialogue with our partner customers, such as trade unions and car companies.
- Trade and consumer associations, such as Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) and the Swedish Consumer Agency.
- The Internet and social media.
- Competitor monitoring.

## Pension savings

Folksam Life and KPA Pension offer traditional life insurance that is a form of savings where we invest and manage the assets. This means that the saver does not need to choose the level of risk. We distribute the capital between equities, interest-bearing securities and other assets and follow the investment criteria that take into consideration ethical and sustainable investments. This form of savings also has a guarantee on premiums paid in and an agreed guarantee interest. When there is a surplus from asset management, it is distributed to the pension savers using bonus interest. Find out more about bonus interest on page 69.

Unit-linked insurance means that the customer him or herself chooses the level of risk for his or her savings by choosing which funds the capital is invested in. We offer savings in unit-linked insurance in Folksam Life, Folksam Fondförsäkring, KPA Pensionsförsäkring and Folksam LO Pension.

In Folksam Fondförsäkring and Folksam Life, we offer a quality assured, guided range of around 80 funds. We guide based on the parameters of return, low fees and ethical investment. Since we are not dependent on our own fund management company, we can always choose among the market's best funds in every area.

Otherwise, a tailor-made range of funds is offered in the respective agreement area. For KPA Pension, the range of funds consists of SRI-screened funds. Folksam LO Fondförsäkring has a carefully selected range of external funds that meet the requirements in the agreement area.

	Folksam Non-life	Folksam Life	KPA Pension	Förenade Liv	Folksam LO Pension
Conventional life insurance		•	•		
Unit-linked insurance		•	•		•
Personal risk insurance	•			•	
Non-life insurance	•				

## Personal risk insurance

In Folksam, there are four companies that offer personal risk insurance: Folksam Life, Folksam Non-life, Förenade Liv and KPA Livförsäkring. Our group insurance comprises group life and occupational group life insurance and health and accident insurance.

Health insurance reimburses loss of income or provides a lump sum. Accident insurance reimburses costs that can arise in connection with an accident, and offers compensation in cases of invalidity. If the insured dies, the group life and occupational group life insurance policies pay out a lump sum to the beneficiary.

We have group life, health and accident insurance that is adapted to labour unions, companies, organisations and individuals.

## Non-life insurance

Folksam offers non-life insurance in three companies: Folksam Non-life, Folksam Skadeförsäkring and Tre Kronor. The latter is a "white brand", meaning that it is a brand that provides insurance, which is then sold under another brand name.

Home insurance is the core in our non-life insurance offering. To make it easier for the customer to choose the right insurance, we have packaged the home insurance products in Base, Medium and Plus. We also offer auto and pet insurance.



All of our home, holiday home and car insurance products are ecolabelled with the Good Environmental Choice label, which makes us unique in the industry. The Good Environmental Choice certification also means that Folksam Non-life does not invest in coal, nuclear power or uranium.

### Criteria for Good Environmental Choice labelled insurance

- Re-use and environmentally friendly repairs
- Sustainable and safe replacement vehicles
- Responsible investments
- Environmentally friendly purchases
- Ecolabelled electricity
- Training in economical driving

# Responsibility in claims operations

In 2014, we repaired damaged cars and houses for an amount of SEK 2.7 billion. This gives us major opportunities to exert an influence in the construction and automotive industries by placing requirements on and training our suppliers. For example, we renovate houses with sustainable materials, buy and recycle spare parts for cars and place requirements on the customer's replacement vehicle being environmentally adapted.

Re-using and repairing instead of buying new is a gain for the environment and also a good deal for us and our customers. This way of working contributed to us being able to avoid a mountain of waste of 1,443 tonnes and save SEK 148 million in connection with the repair of damaged cars in 2014. In total, this has meant a saving of just over SEK 1.1 billion in the past 14 years.

## More stringent requirements on suppliers

Folksam has agreements with around 2,800 suppliers and some 2,000 of them are in the construction and automotive sectors. We purchase SEK 800 million in building contract services and SEK 1.8 billion in car repairs every year.

### Claims expense ratio

Premiums earned compared with claims expenses



Contract loyalty shows how much of the total cost is used to buy services at suppliers with whom we have agreements. The reason that the construction side has less contract loyalty than automotive is that it is often more about urgent damages, such as water damage or broken heat pumps, and then one calls the supplier who can offer help the fastest.

### Contract loyalty

Automotive	91%
Construction	79%

We have highly set environmental requirements on our suppliers. Since 2014, we have made the requirements more stringent. Now, suppliers on the non-life insurance side must undergo training in economical driving, for instance. Moreover, everyone who has customer contact at our suppliers must undergo training in Good Environmental Choice.

To continue our influence work, during the year, we asked our suppliers how they could work more environmentally friendly. We received many answers that we will now evaluate to further refine our requirements.

### Requirement fulfilment

Automotive	66%
Construction	41%

“We need to be continuously reminded of the importance of responsible environmental work and understanding that every action is significant. We also have major opportunities to influence our environment both in our professional role and privately.”

*Participants in environmental training*



# Many benefits from damage and injury prevention

We can do a great deal to prevent damage and injury and help our customers to make the right choices, to think ahead and to prevent accidents from happening. This also contributes to lower claims expenses. We work with damage and injury prevention in three areas:

## 1. Road safety research a cornerstone of the offering

With our road safety research, we want to promote road safety and save lives in traffic. Lower claims expenses also benefit our customers in the form of lower insurance premiums.

## 2. Injury prevention sports research

We insure nine out of ten athletes in Sweden and want to contribute to fewer sports injuries by cooperating with the sports movement and supporting injury prevention research.

## 3. Information and advice

With regular damage and injury prevention advice, we want to create security for our customers. We also conduct surveys and tests to help our customers make safe and sustainable choices.



“With damage and injury prevention efforts, we want to make it safer for our customers”

## 1. Road safety research a cornerstone of the offering

Folksam's road safety research contributes to saving lives in traffic. Fewer road traffic claims also mean lower claims expenses and lower premiums in our car and home insurance products. Everything will benefit our customers.

Every year, we handle more than 50,000 road traffic claims. This gives us access to a large collective knowledge about how damage and injuries arise, how they can be avoided or limited. The choice of car is, for example, of crucial significance for the consequences an accident has.

We have our own road safety research department with four employees who hold doctorates in medical science and one doctoral student. They have ties with Chalmers University of Technology, Umeå University and Karolinska Institutet.

The road safety research costs SEK 7-8 per automotive insurance policy and year. We use our research findings to contribute to making traffic safer. With our ties to universities, we are involved and exert influence in national and international networks. Consumer tests and information are also important tools since there is a demand for knowledge from independent parties regarding, for example, safe cars, child car seats and helmets in connection with purchases.

### Bicycle injuries increasingly common

Today, more people choose to bicycle instead of taking their car. This provides large social benefits in terms of health, the environment, air pollution and congestion. But at the same time, the number of bicycle accidents has increased and now outnumber car accidents. Therefore, our road safety research increasingly also covers bicycle injuries. It includes studies and influence work in insurance cover, infrastructure and personal protection.

### Bicyclists are less insured than car drivers

Of the severe cyclist injuries, 85 per cent arise in connection with single-bicycle accidents and in collisions with cyclists or pedestrians when road insurance does not apply. The cyclists thereby have worse cover than those injured in collisions with motor vehicles. Making it safer for bicyclists is an issue for both traffic legislation and the insurance companies. We have therefore begun work where we are reviewing what insurance protection for cyclists could look like.

### Infrastructure

The majority of the single bicycle accidents are due to infrastructure and that there are leaves, ice or gravel on the bicycle path. During the year, Folksam had the National Society for Road Safety (NTF) investigate how the municipalities managed to remove leaves, clear snow, prevent skids and sweep gravel away from the most important bicycle paths in eight municipalities in Stockholm County. The results showed that there is a large difference between the municipalities in how the bicycle paths are looked after. To be able to bicycle safely year-round, they must be taken care of in the same way as roads. In 2015, we will conduct the same study in Stockholm, Gothenburg and Malmö.

### Personal protection

We have also taken the initiative for research on how shoulder injuries among bicyclists can be prevented since the shoulders and arms, which account for half of the severe bicycle injuries, are still unprotected. In 2014, the project resulted in prototypes for various kinds of shoulder protection: Reflective vests with built-in shoulder protection, loose padding that attaches to a backpack and loose shoulder padding that attaches directly to the body. The project also includes developing a test method together with the SP Technical Research Institute of Sweden so that future manufacturers can have their protection tested and approved.

### Helmet tests

- **Bicycle helmets.** Our studies show that bicycle helmets prevent 60 per cent of all bicycle-related head injuries that lead to chronic difficulties.
- **Ski helmets.** One out of ten people who are injured on Swedish ski slopes have a head injury, which is the most dangerous injury a skier can have. Half of all head injuries could be avoided if the skier wore a helmet. During the year, we tested 13 of the most common ski helmets for adolescents and adults on the Swedish market. The difference between the helmets is so large that the choice of helmet can be crucial to whether one is injured or not.
- **Riding helmets.** Horse riding is the second largest sport among adolescents in Sweden and the most important protective equipment for the rider is of course the riding helmet. During the year, we tested 10 of the most common riding helmets for adolescents and adults on the Swedish market. Among our customers who fell off of the horse and had a head injury, one out of seven had lasting difficulties. The tests show both large deficiencies in many helmets and large differences between the best and the worst helmets.

## Drive green and safe – and get a discount

In 2014, Folksam examined new car models for the 17th consecutive year. Cars that are on our list of “Safe and sustainable cars” contribute to less environmental impact and safer traffic. We like this, which is why customers who choose these cars get a 10 per cent discount on the insurance premium. Every customer can thereby directly contribute to saving lives and safeguarding the environment.

The entire list of the 2014 safe and sustainable cars consisted of 161 models. Even though we made the environmental requirements more stringent by nearly 10 per cent compared with 2013, there are safe and environmentally sustainable cars of all sizes. This is pleasing of course.

**Most fuel efficient cars with alternative fuel that meet Folksam's requirements in 2014**

Size	Model	CO <sub>2</sub> g/km	Autobrake Standard/Option
Small small car	VW Up Gas/Seat Mii CNG Skoda Citigo Gas	76	VW Standard Seat/Skoda Option
Larger small car	Golf VII 1.4 TSI 122	119	Option
Medium	Ford Focus 1.6 CNG	109	Option
Large	Volvo S60 T4F	152	Standard
Small MPV	VW Touran 1.4 TSI EcoFuel	128	Not available
Large MPV	-		
SUV	-		

**Most fuel efficient cars with fossil fuel that meet Folksam's requirements in 2014**

Size	Model	CO <sub>2</sub> g/km	Autobrake Standard/Option
Small small car	Toyota Yaris 1.5 HSD	79	Not available
Larger small car	Lexus CT 200 h Eco	82	Option
Medium	Toyota Prius 1.8 HD hybrid electric	49	Option
Large	Volvo S60/V60 D4/D4e	99	Standard
Small MPV	Opel Zafira 2.0 CDTI ecoFlex Toyota Verso 1.6 D-4D	119 119	Not available Not available
Large MPV	Renault Grand Scenic 1.5 dCi EcoFAP	105	Not available
SUV	Mitsubishi Outlander PHEV	49	Option

## We work to realise the Zero Vision

According to government bill 2008/09-93, the number of traffic fatalities should be cut in half between 2008 and 2020. This is equivalent to a maximum 220 fatalities in 2020, and the number of seriously injured in road traffic must be reduced by a quarter. Reaching the goals the analysis points to will require efficient performance management and new information, especially concerning the work on increasing safety for unprotected road users.

**Ten indicators identified nationally<sup>1</sup> as important focus areas for achieving goals**

1. Speed limit compliance, state road network	6. Safer cars in traffic
2. Speed limit compliance, municipal road networks	7. Safe motorcycles in traffic (ABS)
3. Sobriety in traffic	8. Safer state roads
4. Seat belt use	9. Safer pedestrian, cycle, moped paths in built up areas
5. Helmet use	10. Operation and maintenance of pedestrian, cycle, moped paths

<sup>1</sup> Ongoing supervision of national indicators is performed by GNS Väg. GNS Väg is national collaboration group and a forum for the exchange of knowledge and the coordination between different parties with the purpose of realising the Zero vision. GNS includes representatives from the Swedish Transport Administration, the Swedish Transport Agency, the Swedish Work Environment Authority and Folksam. NTF, the Ministry of Enterprise and Innovation, the National Police Board, the Swedish Association of Local Authorities and Regions (SALAR) and Toyota Sweden AB.

Folksam's road safety research concentrates primarily on indicators that concern cycling, motorcycles, speed limit compliance and safer cars.

## 2. Injury prevention sports research

Folksam has a long history as an insurance provider and partner of Swedish sports. Through cooperation with most of the sports federations, nine out of ten active athletes are insured with us. This gives us a major opportunity to contribute to injury prevention sports research.

Every year, around 16,000 sports injuries are reported, which gives us a unique database that can be used for research and injury prevention work. In 2014, the work continued to focus on the knee control project. Its objective is to train football coaches, leaders, parents and players on how to exercise to prevent knee injuries among girl players aged 12 and up, who are particularly affected. A simple exercise programme of 10-15 minutes sharply reduces the risk of serious knee injuries among girl football players. Since 2013, the exercises are gathered in the app Knäkontroll, which at the end of 2014 had been downloaded more than 70,000 times.

### Results through collaboration

Our research collaboration with the Swedish School of Sport and Health Sciences (GIH) on our sports injury database also continued in 2014. This has resulted in a number of published interim reports that build on epidemiological studies on the occurrence of acute injuries and severe injuries that lead to invalidity. Comparisons are made between different sports, ages and genders and potential changes over time. The objective is to be able to describe risk sports and risk situations for various acute injuries.

In 2015, the collaboration will continue by describing and providing information about various sports injury patterns.

Another project is the collaboration we began during the year with the Swedish Athletic Association with the goal of reducing the number of strain injuries among children and adolescents. The goal will be achieved by increasing knowledge and commitment regarding causes that affect track and field injuries among children and adolescents. Other measures include increasing competency among coaching educators and course instructors and developing programmes for preventive exercise. In 2014 and 2015, a coach inventory was conducted to map the number of coaches, their level of education and experience in the field.

## 3. Information and advice

We work in different ways to provide information and advice to our customers on how they can prevent injuries. This may be a matter of everything from how they protect against fire and burglary to how they can protect their property in storms. We mainly distribute information on our website, answer customer questions, make instructional videos and communicate in the media.

Every year, we also conduct various studies and tests to help the customers make good and sustainable choices when they buy products. The results are published in various reports and distributed in the media. The objective is also to get companies to take responsibility. During the year, we studied outdoor paints, heat pumps and cars and conducted tests on bicycle, ski and riding helmets (which are described in more detail on page 36). When it comes to the helmet tests, there has been considerable interest and the tests received considerable media attention. The sporting goods chain Stadium and one of the helmet manufacturers also brought up the test in their marketing at the same time that manufacturers of helmets that did not get good ratings contacted us to get help to improve their helmets.

**In 2014, Folksam conducted the following tests and studies:**

- 13 of the most common ski helmets on the Swedish market.
- 10 of the most common riding helmets for adolescents and adults on the Swedish market.
- Winter tyres on the Swedish market.
- 46 of Sweden's most common outdoor paints (on-going).
- Different car drivers' risk of having accidents.

# “It worked out very well”

When Pierre Johansson wakes up on 31 August, he is still happily unaware that his plot in Malmö is under water and that his cellar is completely flooded.

“I was out of town that night, but drove home as soon as I read the news. It took an hour to make the last leg of the trip since the roads and viaducts were flooded and cars were stuck. Some cars were even floating about. It felt very odd, almost surrealistic.”

Now, this spring, Pierre is counting on all practical tasks resulting from the rains on 31 August last year will be done. Three dehumidifiers have been running around the clock all autumn and it was done just before Christmas.

“Then, you don’t sleep so well. It has taken a lot of energy and I have had to take off of work quite a bit during this time. The whole cellar was flooded so that all personal property was completely ruined, walls and floors were water damaged and the electrical centre, which was in the cellar, was destroyed.”

Without electricity, no heat. Even though the storm happened in late summer, it quickly turns cold, wet and chilly. In combination with the broadband and phone not working, this meant that Pierre could not live at home in the first few weeks.

Pierre’s home is insured with Folksam and he feels the contact with Folksam worked well.

“I understood that you were contacted by very many customers in a very short period of time. In spite of this, it went relatively quickly for a claims adjuster to contact me. It worked out very well and I had good contact with the claims adjuster, who was able to directly confirm that it involved extensive damage.”

When Pierre talks about the event, he sounds very calm, collected and understanding for the situation. In total, his claim ended up at SEK 500,000.

“I am often rational. Which isn’t to say that I’m unfeeling, but I try to keep my wits about me. Sometimes, you have to keep a stiff upper lip since it doesn’t help to feel sorry for yourself. Life goes on. Many other houses were fit for demolition so I came out relatively unscathed anyway, I think.”



Pierre Johansson:

“It felt very odd,  
almost surrealistic”



# Asset management with a focus on long-term security for our customers

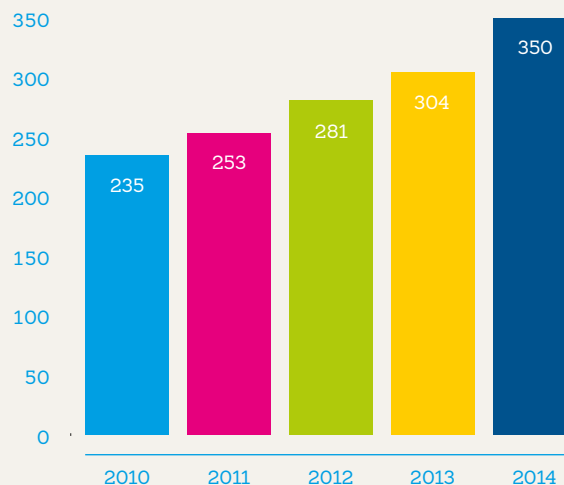
Folksam with its subsidiaries is one of Sweden's largest institutional investors. At the end of 2014, we managed assets of around SEK 350 billion. This gives our customers considerable possibilities for good long-term returns and to have a positive influence on the development of society.

In order to achieve good risk diversification, we distributed our investments over various kinds of assets and markets. We invest the customers' money in interest-bearing securities, equities, properties and alternative investments (unlisted assets). Focus for the investments is long-term security for our customers based on risk, returns and sustainable development.

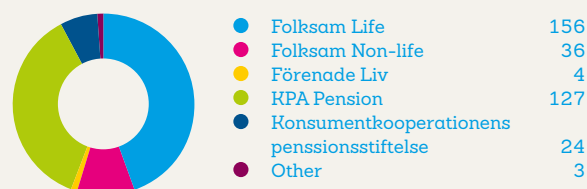
In total, Folksam with its subsidiaries manages multiple portfolios that all have their own investment guidelines. 57 per cent of all assets are invested in interest-bearing securities issued by the Swedish government, Swedish municipalities, Swedish mortgage institutes or Swedish companies. The equities portfolios account for 34 per cent of the assets managed and consist of listed Swedish and foreign equities. We also own assets in properties, including property funds. The directly owned properties are located in Sweden and have a total market value of almost SEK 20 billion. The value of the alternative investments was SEK 5 billion at year-end. Alternative investments are unlisted and in most cases have a low correlation with equity and fixed-income markets.

Folksam's managed assets

SEK billion



Managed assets by company 2014 (SEK billion)



Folksam's managed assets 2014 (SEK billion)



## Management for the customers' best interests

The objective of asset management varies between the different companies. For Folksam Life and KPA Pensionsförsäkring AB, the objective is to achieve the highest level of real return under relevant risk and investment limits, while in Folksam Non-life and the rest of the companies, it is to contribute to stable and competitive premiums.

Folksam has, for a number of years and in different market conditions, successfully managed the risks and opportunities in asset management in order to create good returns for the customers. The total return for 2014 was 8.1 per cent for Folksam Non-life, 12.0 per cent for Folksam Life and 13.3 per cent for KPA Pensionsförsäkring AB. Over the last five-year period 2010-2014, the average total return on traditional insurance has been 8.3 per cent for Folksam Life and 8.5 per cent for KPA Pension.

Swedbank is an important strategic holding for Folksam, where we own just over 9 per cent of the shares. At the end of the year, the value of these shares was nearly SEK 19 billion.

Total return ratio					
Per cent %	2014	2013	2012	2011	2010
Folksam Non-life	8.1%	7.7%	8.2%	6.9%	6.7%
Folksam Life	12.0%	7.6%	7.0%	6.5%	8.7%
KPA Pension	13.3%	8.2%	7.2%	5.6%	8.2%

## Requirements on ethical investments and sustainability

Folksam with its subsidiaries consists of 11 insurance companies, all with different profiles and emphases. Consequently, the Board of Directors of each company establishes individual objectives and levels of risk for the asset management, establishing the limits within which the capital may be invested. The starting point for every portfolio is in the statutory requirements and that we must be able to cover the obligations to the policyholders on the long term (even in negative developments of the financial and insurance markets). Our asset management follows special investment rules, primarily those that are set forth in the Insurance Business Act. In addition, we comply with the Financial Supervisory Authority's regulations and general guidelines as well as each company's rules for environmental and ethical considerations. The managed assets are also subject to criteria concerning the environment, human rights and anti-corruption. During the year, Folksam signed the Montreal Carbon Pledge, which means that we will begin to measure and report the carbon dioxide footprint in our portfolios.

On the following pages, we present our work in further detail with the types of assets included in our portfolios:

- Equities and fixed-income instruments
- Property
- Alternative investments.

# Equities and fixed-income instruments: Responsible owner governance

Here at Folksam, we are convinced that companies which take responsibility for the environment and human rights are more profitable over time than those that do not. As a large institutional owner, we therefore work to influence the listed companies to conduct more sustainable operations.

## Influencing companies to take responsibility

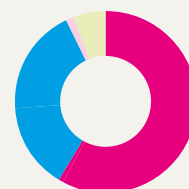
It is important to our customers that the listed companies we invest in act responsibly. We therefore influence them through our investment criteria for the environment, human rights and against corruption. Our goal is not to reject companies to invest in, but rather to influence as many as possible to get better at taking responsibility. We also do our best to push equality issues and ensure that the bonus programmes in all of the companies are reasonable and structured to benefit the shareholders.

There are some companies we choose not to invest in, regardless of how small their environmental impact is or how good a working environment they have. 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 even tougher exclusion criteria and therefore does not invest in the alcohol industry, the arms industry or the commercial gambling industry. KPA Pension also has a stricter environmental criterion. For Folksam Non-life, whose car, home and holiday home insurance products are Good Environmental Choice certified, this means that, besides tobacco, we also exclude investments in alcohol, all weapons, coal-fired power, nuclear power, uranium and companies that violate human rights.

Criterion	Folksam Life	Folksam Non-life	Förenade Liv	KPA Pension
Environment	●	●	●	●
Stricter environmental criterion*				●
Human rights	●	●	●	●
Corruption	●	●	●	●
Tobacco	●	●	●	●
Illegal weapons	●	●	●	●
All weapons		●		●
Alcohol		●		●
Gambling				●
Coal-fired power		●		
Nuclear power		●		
Uranium		●		

- Influencing criteria
- Exclusion criteria

\*Only energy companies with approved environmental ratings are approved.



59%  
Fixed-income  
instruments

34%  
Shares

## Carbon dioxide measurement

Folksam with its subsidiaries signed the Montreal Carbon Pledge in 2014. This means that we pledge to measure the carbon dioxide footprint in our equity portfolios and publish the results. The Montreal Carbon Pledge is an initiative launched on 25 September 2014 at the meeting for the Principles for Responsible Investments (PRI) in Montreal and, besides PRI, is supported by the UN Environment Programme Finance Initiative (UNEP-FI).

At 31 December 2014, the indirect carbon dioxide emissions from the equity investments for Folksam amounted to a total of 1,458,947 tonnes. This means around 1.03 tonnes of carbon dioxide per SEK 100,000 managed, which is just over half of the average for the global index (MSCI World 2.1 tCO<sub>2</sub>e). The carbon dioxide footprint expressed as carbon dioxide intensity (tCO<sub>2</sub>e per SEK Mil turnover) amounts to 23.4.

The low carbon dioxide footprint is due in part to Folksam having, in accordance with the ethical investment criteria, refrained from investing in certain companies with large carbon dioxide emissions, and in part to larger investment in the banking sector.

*The measurement was done by the South Pole Group.*

## How we work with responsible owner governance

An important aspect of our influence work is various kinds of collaboration. Here, we present a few examples. On folksam.se, we present the work in more detail and based on the PRI principles.

### Cooperation

1. Since 2009, Folksam has participated in the Sustainable Value Creation project, aimed at enjoining Swedish listed companies to adopt sustainable development and long-term value creation. In 2014, Sustainable Value Creation, together with the OMX Stockholm stock exchange, invited board chairmen, CEOs and other representatives from the 100 largest listed companies, to a seminar on the implementation of sustainability work.
2. We collaborate with the Norwegian life insurance company KLP and the Finnish pensions company Ilmarinen, in Nordic Engagement Cooperation (NEC). The objective is to coordinate corporate governance activities relating to the environment, human rights and anti-corruption. The focus is on companies where violations of international guidelines and conventions have been observed.
3. We are members of the Global Network Initiative (GNI), which is an international organisation whose purpose is to work to safeguard human rights in IT and telecommunications. As investors in IT and telecommunications companies, we want to call the attention of these companies to their impact on freedom of speech and integrity on the Internet and their responsibility.

A list of more collaborative arrangements is on page 64.

### Screening and rating

In total, Folksam's customers invest in around 1,000 companies. Our corporate governance policy and our ethical investment criteria form the basis of which companies we invest in.

Every year, around 2,000 companies are screened. This means that each company is analysed and gets a rating on how good its work is in terms of human rights, the environment and anti-corruption, and what general business risk the company has.

### Dialogue

Every year, we conduct an owner dialogue with several companies in which we have holdings. We write letters to representatives of these companies, such as managers for investor relations, sustainability and/or environmental managers. We follow up the companies' work in terms of our investment criteria (environment, human rights and anti-corruption) and corporate governance (such as equality in the board and management and bonus and remuneration programmes). During the year, we held meetings with seven companies we have holdings in.

We also annually contact around 20 Swedish companies that conduct business in a high-risk industry with regard to the environment and/or human rights. In general, companies that have a distinct physical business, such as oil extraction, run a higher risk of discrepancies that a distinct service provider. Two companies were selected and meetings were held with a review of the companies' risk situation.

Sometimes, we participate in the debate to create opinion. The chief strategy is to reach out to listed companies via the media, so the business press is our main focus.

If Folksam becomes aware of a holding that violates any of our investment criteria, we initiate a dialogue with the company to bring about a change. Sometimes, our efforts do not succeed and we are forced to divest the holding. In 2014, no such decisions were made.

### Renowned corporate governance

- In Max Matthiessen's study of controversial holdings among pension companies, Folksam and KPA Pension received the mark Passing with Credit. Max Matthiessen writes "Folksam and KPA Pension distinguish themselves with their ambitious and open influence work." Six out of 12 companies received failing marks.
- When Söderberg and Partners ranked the pension companies' sustainability work, Folksam together with Swedbank and SPP ranked at the top.
- Together with ABP from the Netherlands, Folksam ended up first place in the category "Best RI Report by a Large Fund" when RI Reporting Award named companies that distinguished themselves by doing good work with responsible investments, and gave a clear, transparent report of this work. RI Reporting Awards builds on an audit of more than 1,000 companies worldwide.

In terms of the climate, the financial players that actively work with the issue are still in the minority in relation to the total capital. The major challenge for us is to further develop our way of working by taking consideration of the individual beneficiary's need for risk control and returns, at the same time that we use our influence as owners to enjoin carbon dioxide intensive companies to take more powerful steps. In spite of our large capital, we have not been large enough to be able to exert an influence on our own.

### We influence at shareholders' meetings

Folksam participates in the Swedish AGMs where we have shareholdings. This means that we attend just over 40 AGMs per year. Before the meetings, we send letters to the board chairs to inform them of the issues Folksam will focus on in particular. More information on what questions we asked and what answers we received are in the meeting reports, on the blog "A Cat Among the Pigeons" and on the Twitter account @etikatten.

Folksam votes both for and against share-related bonus schemes. In cases where companies have disregarded Folksam's views, we chose to vote against the bonus system.

We have also used our influence to vote at AGMs abroad by electronic voting since 2005. During 2014, we voted at a total of 232 foreign AGMs. We were also represented and asked a question at Stora Enso's AGM in Finland and presented a proposal at Chevron's AGM.

Folksam's work with Corporate Governance	2014	2013	2012
Number of companies with which Folksam held an active dialogue	37	31	45
Number of Swedish general meetings in which Folksam participated	42	43	39
Nomination committees in which Folksam is a member	2	2	3

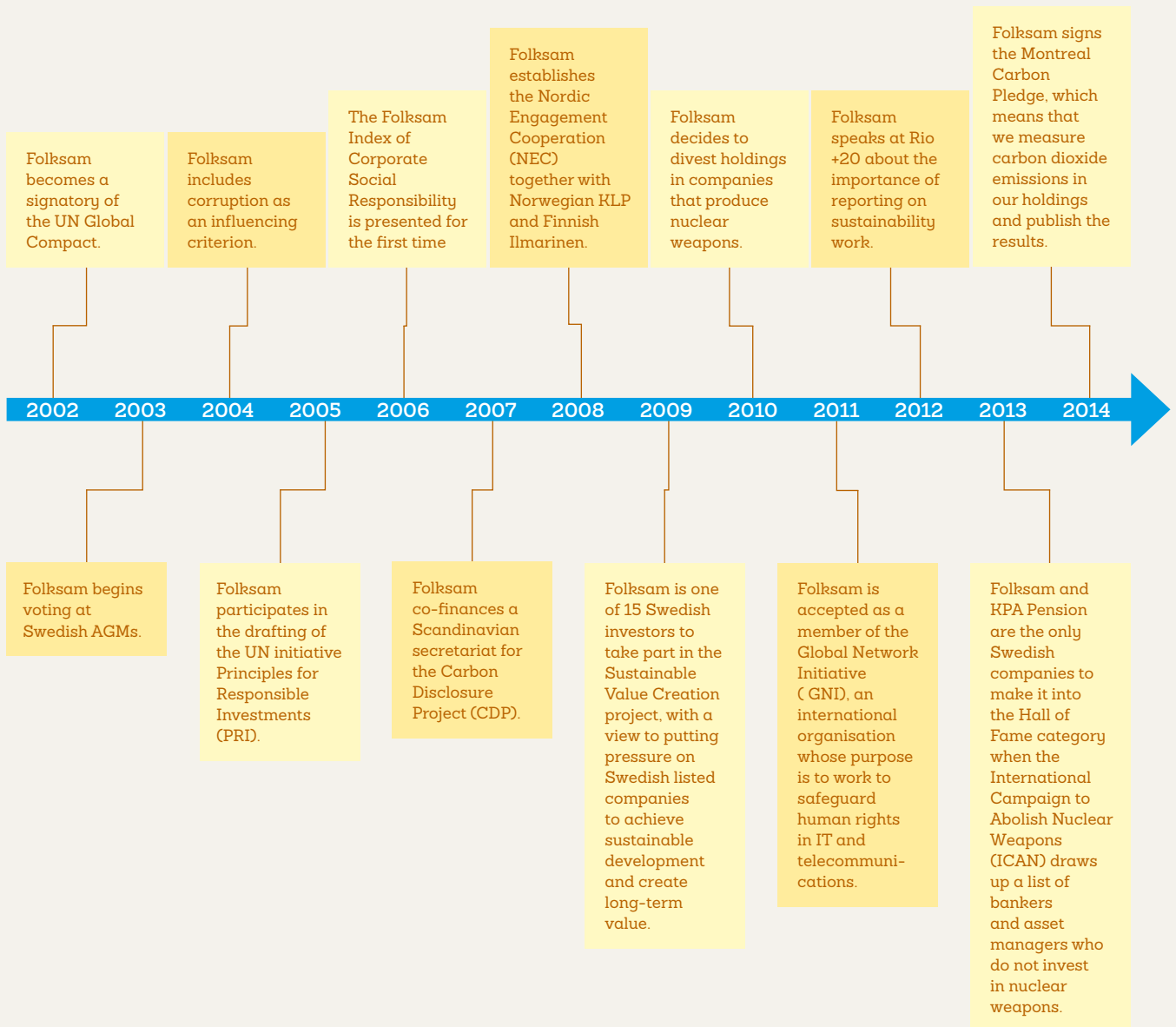
### Stora Enso

In 2014, it came forth that child labour occurred in the supply chain in Stora Enso's operations in Pakistan. During the year, Folksam met with Stora Enso on separate occasions and participated in a journey to Lahore, Pakistan to study the environment and the challenges the company faces on site. We also had the opportunity to meet some of the children who previously worked to gather waste paper at refuse dumps and who have now been put in school. We want to ensure that Stora Enso strengthens its policies and guidelines in the company, and towards subcontractors and that the work makes progress. The dialogue is continuing.

### TeliaSonera

For several years, TeliaSonera has been linked to questions of possible violations of human rights and corruption in connection with subsidiary activities in Eurasia. We have therefore had an intensive dialogue with the company. TeliaSonera has investigated and revised its operations including a revised code of conduct and stronger internal control. The company has also trained its staff in sustainability and become transparent to the market as regards sustainability. In autumn 2014, we participated in a journey arranged by TeliaSonera to Kazakhstan and Uzbekistan. Neither of these young countries is democratically governed and the challenges for TeliaSonera are therefore considerable. The company has strengthened its role towards its subsidiaries and works to implement a responsible corporate model. Folksam and a number of other Swedish investors participated in a meeting with the Ministry of Communications in Uzbekistan where freedom of speech and human rights were brought up. TeliaSonera's position was strengthened by 40 per cent of the shareholders being present. Our owner dialogue with TeliaSonera continues with the same focus on human rights and anti-corruption, since there are still problems of corruption and child labour in the region despite considerable progress.

# Milestones



# Property: Long-term investments

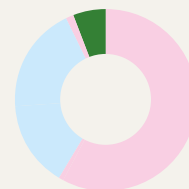
We want to support sustainable development in society. By owning the right properties, we create good returns in managing our customers' money at the same time that we can offer secure housing and attractive workplaces with homes, assisted living facilities, offices and shops in prime locations.

We invest long term in properties with a focus on Stockholm and Malmö. This involves offices in prime locations and with clear environmental profiles, as well as housing and assisted living facilities (existing or projects). We also develop properties. In order for the business to contribute to a positive societal development, the ownership of the properties must be responsible. In this, we count the following areas:

- Environmental responsibility with clear environmental targets
- Good relationships with customers and stakeholders, such as housing and office tenants
- Ethical operations
- Follow-up and constant improvements
- Active work on energy efficiency improvements

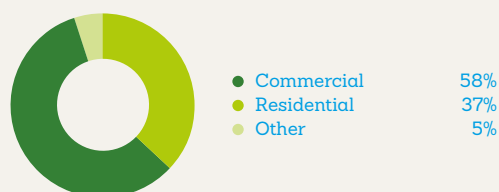
Properties are an important class of assets in Folksam's various portfolios. In 2014, we therefore increased our strategic and financial focus by updating the investment strategy for properties. According to the new investment strategy, we will increase the investments in the portfolio by around SEK 10 billion in the next five years from today's SEK 18 billion. We therefore began to change the operations and organisation in order to even better be able to manage the customers' money long term.

Folksam is one of few operators in the insurance industry that accounts for, and offsets, the climate impact from its property holding. Consumption of heat represents the greatest climate impact from our property holdings, totalling 3,490 tonnes of carbon dioxide. This is a decrease compared with 2013, which is due in part to efficiency enhancements in the properties owned by KPA Pension. All electricity purchased by Folksam for its properties is certified as generated by wind power.

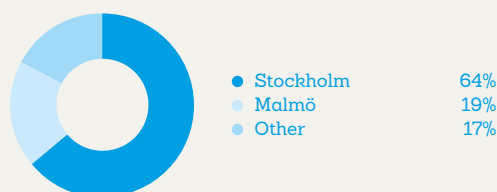


6%  
Property

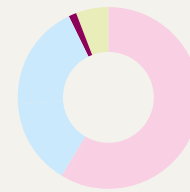
Property portfolio, total area



Geographic distribution



# Alternative investments: Focus on unlisted investments



1%  
Alternative  
investments

Alternative investments supplement Folksam's asset portfolio. These are investments with long investment horizons that give the customers exposure to unlisted assets. The investments are mainly made in fund-like structures and in cooperation with other players.

Within alternative investments, we also make indirect property investments to supplement the direct property investments.

We prioritise investments that contributing to strengthening the investing company's brand and strategic networks. Alternative investments account for around 1.5 per cent of Folksam's total managed assets.

## Alternative investments, SEK million

Private Equity/Credit funds	1,965
Infrastructure/Energy	1,530
Other	1,535
<b>Total</b>	<b>5,030</b>

## Some of our holdings in alternative investments:

### EQT Infrastructure

EQT Infrastructure is a private equity fund that invests in infrastructure assets such as energy plants, distribution networks for energy and ports. One example of an investment that EQT Infrastructure makes is the purchase of the western Swedish gas network (Swedegas).

### PWP and Gnosjö Energi

Folksam and KPA Pension own, together with FAM and Proventus, Power Wind Partners (PWP). The company owns six land-based wind

farms with an annual generating capacity of 0.25 TWh. Electricity output from the 47 wind turbines in operation is able to heat around 13,000 houses. Folksam also owns four wind power plants in Kulltorp in Gnosjö Municipality.

### Northland

In 2013, Folksam invested in the mining company Northland, which at the end of the year was forced to file for bankruptcy. The investment was made in the scope of an owner consortium consisting of Norrskens

(LKAB), Peab, Metso and Folksam in bonds issued by Northland.

### Proventus Capital Partners

Proventus Capital Partners is a co-investment company with Proventus, the Fourth AP Fund and Folksam that focuses on loan financing and corporate bonds. The company offers loan financing to medium-sized companies and invests in listed corporate bonds.

# Our contact with the customer

Everything we do should be based on our overriding objective of having the industry's most satisfied customers. We know that the customers who have contacted us are more satisfied than those who have not. Of the customers who have had contact with our customer service or filed a claim, nine out of ten say that they are satisfied. In addition, they also feel that they received good service.

# Nine out of ten are satisfied



# We are more liked than ever

During the year, the appreciation of Folksam's brand achieved peak levels. The results are the highest both in comparison with competitors and our own earlier results. Not only our customers, but the market also likes us more and this opens doors for new customer relationships and transactions. KPA Pension's brand has also been strengthened and is now the most well-known brand in its market.

Our customer satisfaction surveys have also achieved the highest rankings to-date. Customer satisfaction is strongly linked to how the customer perceives his or her insurance company. We measure this perception using the Folksam Customer Index (FCI). We ask every category of customer (private customers, partners, employers) what they like about us and what we do. Including how they perceive the information they get from us, our service, our products and our personal treatment.

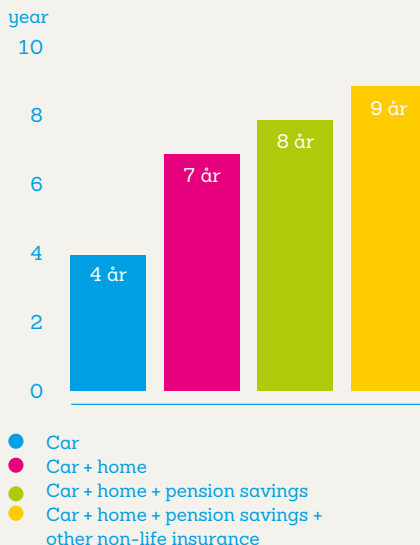
Satisfied customers are nothing that just happens, but rather we must earn it. Only then can be actively striving for strong relationships with combination customers. At the same time, our challenge is to ensure more frequent customer contacts. Some examples of steps we worked with during the year are combination discounts, availability and bonus interest. In our measurements, we have seen that the bonus interest has provided good results in our customers' perception of Folksam as a brand. Find out more about our bonus interest on page 68. During the year, we also worked to increase awareness among the customers of our combination discount.

The fact that our customers are more satisfied than ever is most clearly seen in our measurements of those who have been in contact with us. Nine out of ten customers who have filed a claim or have been in contact with our customer service are satisfied. We therefore work to continuously find new contact surfaces to the customers. On this front, the Internet is particularly important.

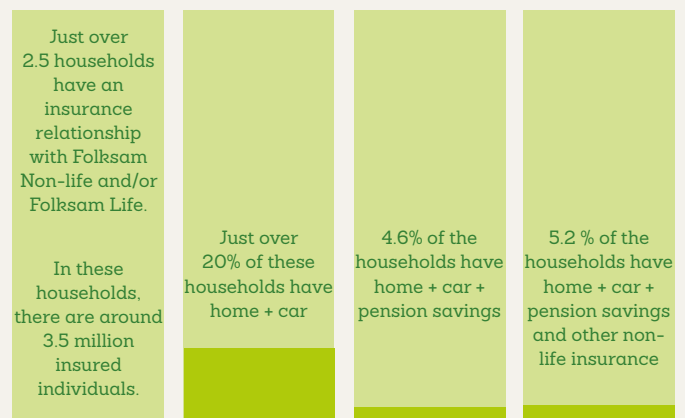
## Our foremost assets

- 1 Around 4 million customer relationships
- 2 Cooperation with union organisations and other partners
- 3 Customer focus and long-term perspective (mutuality)

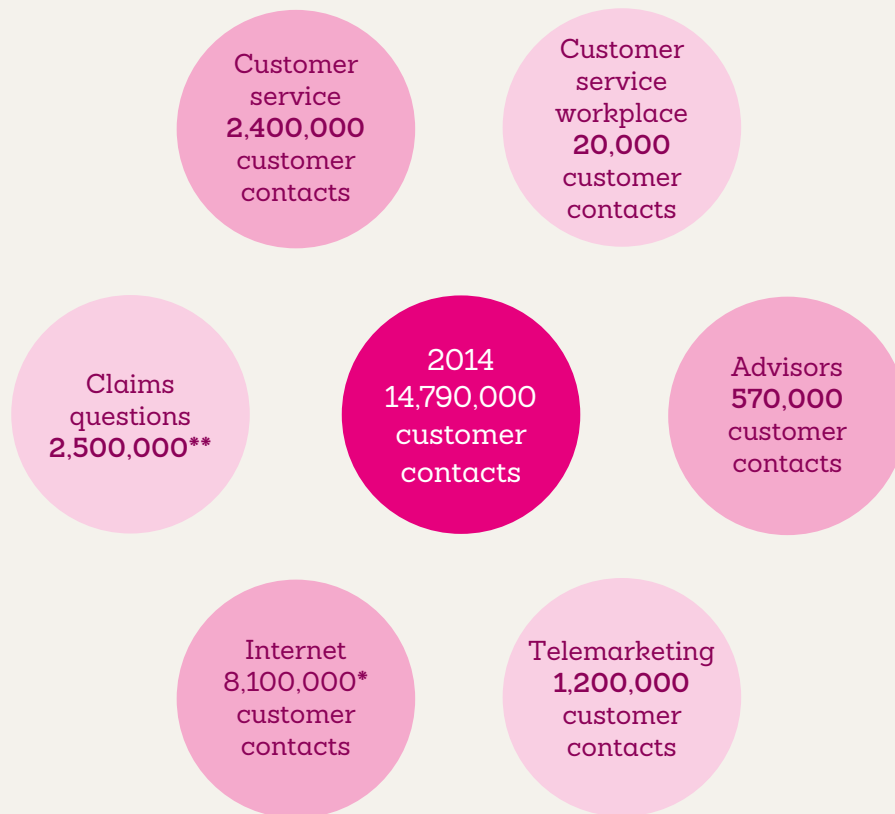
## Customers with multiple insurance policies stay longer



## We have considerable potential to increase the number of customers that have several policies with us



# Our customer contacts in 2014



\* Of which 3,000,000 mobile

\*\* Generated 925,000 claims cases



## More about: Customer service in 19 languages

One way of increasing availability and improving our service on the customer's terms is our continued work on multilingual customer service. During the year, we began customer service in the 19th language: Sign language. The calls take place over a video system and provide the deaf and hearing impaired the possibility of natural communication in their own language. Our multilingual customer service receives around 100,000 telephone calls per year and communicates with people from around 100 countries. The biggest foreign language is Arabic.

In 2014, RPA Pension received the National Government Employee Pensions Board (SPV) award, Guldkantén, for its customer service and pension information in 18 languages, and for the work of reaching out with pension information to disadvantaged groups.

## When the customer is dissatisfied

In 2014, we had more than 10 million customer contacts and handled around 900,000 claims cases. This naturally means that misunderstandings, dissatisfaction or problems of various kinds sometimes occur. For example, customers may feel they received too little compensation or that a claim was not handled according to the customer's expectations. The customer should then be able to file a complaint.

New requirements from both the Swedish Financial Supervisory Authority and EIOPA (the EU equivalent) have clarified requirements for insurance company handling of complaints, and Folksam's management group prioritises issues that concern customer complaints. We have a central complaint group that is responsible for coordinating complaints and quarterly reporting to Group management.

In 2014, we registered around 3,300 complaints for the entire Group. The handling worked well and the customers say in our measurements that they feel that we have gotten better at handling complaints. In 2015, the ambition is to get even better at capturing the customer complaints by ensuring that they are registered as complaint cases. Good complaint handling gives us the possibility of capturing problems, doing something about them and also ensuring that the customer is satisfied.

## Customer Ombudsman and disputes

Our customer ombudsman has the main task of offering an impartial review for customers who are not satisfied with our decisions. The function has been in Folksam for almost 50 years and has a well-established working method. They are independent from Folksam's company management and answerable only to Folksam's AGMs.

The possibility to be able to contact an independent function is appreciated by the customers. In 2014, around 9,000 customers consulted with the customer ombudsman, of which 1,300 became cases. Of these, 21 per cent led to some form of change in the customer's favour.

An important part of the customer ombudsman's work is feeding back experiences from its activities to Folksam. The function works pro-actively to put the message across to Folksam that terms and conditions must clearly show what the customer is entitled to.

Since we strive to maintain a high level of quality in our claims adjustment, relatively few cases led to a dispute. During 2014, 122 cases were resolved by the National Board for Consumer Disputes (ARN), and 5 per cent of these were changed in favour of the customer. Of the 152 cases that were resolved in court during the year, Folksam won the majority of the cases or reached an amicable settlement.

	2014	2013	2012
Number of claims	935,000	870,000	730,000
Number of cases to the Customer Ombudsman	1,306	1,300	1,140
Percentage of changes in the customer's favour	21	21	22
Number of cases to ARN	122	115	91
Percentage of changes in the customer's favour	5	3	4
Number of cases to court	152	114	139



# “The help was invaluable”

The family holiday longed for to Thailand was almost over and the plane back to Sweden was going to take off in a few hours. But instead of boarding the plane, the journey was a rush to the hospital. The father, Joachim Ullstrand, had suffered a heart attack.

In summer 2014, Joachim, his wife Anneli and their two daughters Bianca and Alva were enjoying a holiday trip with sun and swimming on the island of Koh Samui. In the final week, Joachim thought that it was difficult to breathe, but did not suspect anything serious. But on the morning of their departure date, he and Anneli realised that everything was not as it should be. “He suddenly vomited and then I saw in Joachim’s face that it was time to go to the hospital right away. It was an awful and surreal feeling. We were supposed to be on our way home, but ended up there instead,” explains Anneli.

The doctors were able to confirm the heart attack and proposed an injection what would make the muscle cramps subside. The family called Folksam to make sure that the treatment sounded reasonable and would be covered by their insurance, especially considering that the medicine cost around SEK 25,000.

After a week at Koh Samui’s hospital, Joachim was flown to Bangkok Heart Hospital where he was operated on. A week later, he and the family were ready to fly home to Sweden accompanied by a physician.

“It was absolutely crucial for us that we had Folksam’s large home insurance. I don’t want to think about what it would have been like without it,” says Joachim and Anneli agrees:

“We’re not just thinking about the costs we avoided, but just as much about the help we got with all of the practical matters like transportation and accommodation. And above all, that the rest of the family could stay in Thailand.”

Anneli says that she got help from Folksam to extend their visa.

“I didn’t feel like I could handle it so we called Folksam’s local partner who arranged everything. The help was invaluable since we were busy focusing on Joachim.”

Joachim feels better today, but is sick-listed and undergoing further examinations in Sweden.



Joachim Ullstrand:

“Now I can focus on getting better”

# Our own operations

To fully be a modern financial company and credible in accepting responsibility, our own operations must be characterised by proper order. This is about everything from how we are governed and take care of our employees to our environmental work in daily operations.



# A modern financial company

We usually say that Folksam stands for both heart and mind. This means that we should get involved in what our customers care about, have efficient processes with low operating costs per policy, case and customer, be a responsible employer and do right by the environment. During the year, we conducted improvement efforts through a number of projects where certain involved all of Folksam with its subsidiaries, while others concerned specific business areas, units or functions. In 2014, IT has been a prioritised issue in Folksam with its subsidiaries. We are currently undergoing a major change journey to modernise, enhance efficiency and consolidate our IT systems, which are currently too numerous and in some cases outdated. This work is a cornerstone in our strategic efforts on the infrastructure in Folksam and our subsidiaries.

## Our most important project

The Solvency II programme is our largest and most important project. It concerns all of our employees and enters into effect on 1 January 2016. Solvency II is a European regulatory code for insurance companies that aims to create a uniform European insurance market that will provide more protection to the policyholders. The new rules strengthen the connection between solvency requirements and risks for insurance companies, and entail more stringent requirements on insurance companies having adequate capital to be able to live up to their commitments to the policyholders.

Solvency II is important in the modernisation of Folksam and the rest of the industry - and good for the customers. We began adapting to Solvency II as early as 2009 and have mainly focused on coordinating the adaptation of steering documents, processes and system support we use for corporate governance and reporting.

In 2014, we built up processes and IT support to handle the new requirements on capital adequacy calculation and supervisory reporting. With our complex structure with many companies, insurance products and IT systems, the project is facing major challenges. One of them concerns the proposal on new occupational pension regulations that mean that we do not yet know exactly what companies in Folksam will ultimately follow the Solvency II rules.

When it comes to corporate governance, we have begun to roll out new internal regulations in the parent companies and subsidiaries and adjust our own organisation to gradually fulfil the new requirements set by the directive.

In 2015, we will participate in the preparatory reporting to the Swedish Financial Supervisory Authority and continue to develop processes and systems that support supervisory reporting and capital adequacy calculation. The remaining internal regulations and organisational changes will be decided on and implemented to strengthen Folksam's systems for governance.

## Bribery and money laundering

All financial companies in the EU are obliged to work against or take steps to prevent money laundering and the financing of terrorism. Folksam follows the sanctions that have been issued against persons suspected of criminal activities and also takes action to prevent bribery and corruption. The work of preventing bribery and corruption is related with Folksam's work to prevent money laundering. We investigate if our customers are people in high political office who thereby run a greater risk of taking bribes or being involved in corruption.

# Appropriate skills and sustainable work environment

Folksam with its subsidiaries has nearly 3,900 employees distributed over various companies and locations. For us to be able to offer insurance and pension investments that create security and appeal to many, we must be an attractive workplace.

The fast pace of change in our surroundings, including in IT, legal requirements and on the labour market, affects both the customers' expectations of Folksam and our conditions to meet them. To be able to reach our overriding objective of having the insurance and pension savings industry's most satisfied customers, we must succeed in staffing our organisation with the right employees and continuously develop our employees and managers.

Many of our existing and future employees appreciate working in a responsible company that both has ambitions and financial conditions to make a difference.

In Universum's annual survey "Sweden's Best Employers", where young professionals rate their current employer, Folksam ended up 13 out of 70 among large employers. This ranking is in line with what we have seen in our own employee survey for several years. In 2014, 80 per cent of our employees said that they are proud to work at Folksam and 78 per cent felt that they have stimulating and developing duties. The total index landed at the same level as 2013, which was 75 per cent positive responses.

## An attractive workplace

An attractive workplace means interesting career paths and a good work environment. Our employee survey and personnel mobility are two examples that show that we are well on our way.

“80 per cent of our employees say that they are proud to work at Folksam”

Number of employees	3,868		
Average age	44.2		
Personnel turnover	8.8%		
Sickness absence	4.5%		
Gender distribution, total	53% Women	47% Men	
Gender distribution, managers	48% Women	52% Men	
Gender distribution, Group management	45% Women	55% Men	
Gender distribution, boards	36% Women	64% Men	

## Rewards programme for the employees

We have a rewards programme for our employees that is intended to make our strategies and overriding objectives visible and put them in focus. Among other things, this involves increasing employee commitment and motivation to reach the goals (Folksam Customer Index and the number of combination customers). Prior to 2014, the means of disbursements changed from cash disbursement to deposits of the reward in an individual occupational pension insurance.

## Personnel mobility provides new opportunities

One opportunity, and at the same time a challenge, is the increased personnel mobility. For the second consecutive year, the number of external recruitments was nearly 550. In addition, around 200 employees received new jobs through internal recruitment processes. An effect of this mobility is that the proportion of employees under the age of 30 has increased and the average age has decreased for several years running. The considerable mobility shows that there are many career opportunities in Folksam with its subsidiaries.

According to our overall strategy, we conducted a number of organisational changes during the year that meant some relocations of employees. For example, we concluded the integration of SalusAnsvar as well as the work of changing the organisation in sales and claims. In the latter project, a cooperative forum worked to find the best possible solutions for the employees concerned.

## Diversity provides customer benefit

It is our conviction that diversity contributes to customer benefit, greater profitability and a more attractive workplace. Consequently, we work goal-oriented for an inclusive cooperation climate where the employees' expertise is utilised and there is acceptance for differences. A clear and skills-based staffing process supports diversity at the same time that we minimise the risk of discrimination. The fact that Folksam currently has nearly 50 per cent women managers is the result of goal-oriented diversity work. When we compared the average salary between male and female employees with similar jobs, the salary difference was just over 5 per cent (4) in 2014. In order to achieve full equality of pay, we annually survey and analyse any non-objective pay differences in pay reviews instead of just conducting surveys every three years as required by legislation.

## Focus on work environment and health

As a part of creating a modern financial company, we worked in the past year to introduce an activity-based way of working throughout Folksam – work that will continue in the next few years. We want to create a modern, flexible, sustainable and cost-effective work environment where people thrive, feel well and perform well. An activity based way of working is far more than moving furniture or people. It is a matter of changing the way of working, behaviours and habits. It requires both changed leadership and active employees as well as technical solutions and an environment that is adapted for the business and the tasks to be done.

A challenge for both society and Folksam is the negative development when it comes to sickness absences. We have various tools that should give the employees the support needed to maintain good health, and help to quickly capture signals of illness.

Since 2015, Folksam is a smoke-free workplace. For a modern company that is committed to the employees' health and work environment – and also does not invest in companies that work with tobacco – this is also natural. In connection with the change, all employees were offered the opportunity to attend a programme for tobacco cessation treatment. During the year, we also received confirmation that Folksam has good procedures for systematic work environment efforts when the Swedish Work Environment Authority conducted some 20 inspections in Folksam offices around the country.

## Constantly current ethical rules

Its ethical rules constitute one of Folksam's most important regulatory codes. They are about us being a company that gets involved in what the customers' care about and being perceived as such. Folksam's values reflect an ethical approach and shall permeate everything we do. They apply to our entire operation and lay down the rights and responsibilities that employees must abide by in different situations. Every three years, the ethical rules are included in the regulation training that all employees receive every year. In basic management training, the new managers also receive training in the ethical rules for e.g. gifts, conference travel and participation in events. They shall in turn be able to guide their employees in ethical considerations.

# Our environmental work

Alongside of the environmental responsibility we take in the relationship with our customers, where we also have the greatest opportunity to exert influence, it is a given for us to act as environmentally correctly as possible in our own operations.

Our ambition is to be on the forefront in this environmental and climate work. We have worked with environmental issues since the 1960s.

## Goals for our environmental work

We want to do our part for Sweden to be able to achieve its climate target to reduce carbon dioxide emissions by 40 per cent by 2020. We have therefore set targets for our own operations. In 2014, we established two environmental targets for 2015: To reduce carbon dioxide emissions and travel by 5 per cent each (base year 2002). The main emissions source for us is travel itself, which accounts for 65 per cent of total emissions. A part of approaching these targets is to fully begin to utilise the new video conferencing equipment that has been at most of our locations since 2014.

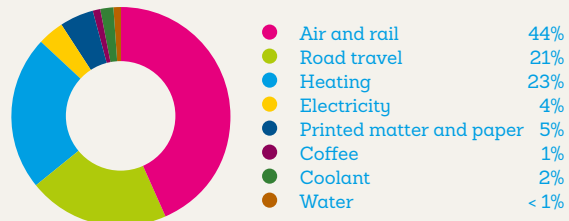
In 2014, we focused on screening and coordinating our environmental efforts. Some of the activities were that:

- We decided to integrate environmental targets for all units, business areas and subsidiaries in our business planning. All units have at least one environmental target for 2015.
- After 15 years, our ISO 14001 certification has served its purpose and we are instead focusing on working with Good Environmental Choice certification in the organisation.
- We appointed a management group for Good Environmental Choice, which is responsible for reporting and follow-up of the requirement criteria.

In 2015, all employees will attend sustainability training at the same time that the new sustainability policy will be integrated in the operations.

## Our climate footprint

The climate footprint in our own operations amounted to 2,844 tonnes of carbon dioxide in 2014. This is an increase of 52 tonnes compared with 2013. The increase is due to the calculation this year also including coolant and that the emission factor for electricity has been adjusted. Per employee, the emissions decreased from 0.82 tonnes to 0.8 tonnes.



More about:

All of our emissions are climate compensated

We climate compensate the climate footprint from our operations and our property portfolio through the Vi Agro-Forestry Programme tree-planting project. We climate compensate for our dispatch of customer documents, even if we work to fully transition to digital dispatches. The Vi Agro-Forestry Programme plants an

average of six trees for every tonne of carbon dioxide released. The total climate impact that we compensate for amounted to 6,567 tonnes of carbon dioxide in 2014. This means that we will plant just over 39,000 trees.

## Risk - a part of the business

A fundamental part of our business is assessing and managing risks. Through active, controlled and business-based decisions on risks, we create conditions for offering the customers insurance and pension savings solutions that create security.

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

The **first line of responsibility** is made up of business areas, units, parent companies and subsidiaries. They are responsible for directing operations so that the targets established by the board are achieved. They are also responsible for risk management activities, monitoring and compliance.

The **second line of responsibility** comprises the risk and compliance departments, and the chief group actuaries. They support and follow up the first line of responsibility on the basis of frameworks for risk management, and are responsible for having an overall picture of the risk situation in the company and report this to the boards and the CEO.

The **third line of responsibility** consists of internal audit, which reviews and evaluates internal management and control on behalf of the boards.

## Insights of incidents

Folksam has an incident-reporting system in which all employees may report undesirable events. The definition of an incident is an intentional or unintentional undesired event that has caused or could have caused Folksam harm. The more incidents reported, the better. Because then the faults underlying the incident can also be identified and resolved. By reporting incidents, we demonstrate openness within the operation, and a desire to be a learning organisation.

Incident management is taken care of by operations and followed up by the compliance organisation. There are local compliance managers throughout the organisation who follow up ensuring that the incidents are resolved. The boards receive reports about incidents through score cards (dashboard), which the Group CEO reports to the board at every board meeting, and also through compliance reports submitted half yearly.

What distinguishes Folksam's incident reporting system from a whistle-blower system is that reporting in the latter can report incidents directly to Group security without a superior manager or local compliance manager finding out about it. Every year, around 20 incidents are reported this way. An investigation is under way on the need to have a traditional whistle-blower system and how such a system can supplement the new incident system.

### Number of reported incidents

2014	2013	2012
530	465	503



## More about: Our risk management

We assess risk taking in relation to the possibility of achieving set targets in five steps.

1. **Identify.** In the first step, we identify and disentangle all significant risks we are exposed to both on the short and long terms.
2. **Evaluate.** Risks are evaluated in a uniform manner and quantified using generally accepted methods.

3. **Manage.** Here, we use regulations, processes and control activities. The business and corporate management are responsible for prioritising and deciding on measures necessary to control or limit risk.
4. **Follow up.** The business and control functions follow up on risks and measures and ensure that the risks lie within decided levels.
5. **Report.** The board and CEO receive an all-round and factual view of the total risk situation.

# “I can actually make a difference”

Lena Lindström feels greatly committed to sustainable development. As a middle-school teacher, she has worked with her students on a number of different projects on the subject. But she received a lesson last year in what impact her own pension savings have.

“I had hardly reflected on where I have my occupational pension. Nor had I actively chosen KPA Pension. I probably thought like most people, that I want a secure pension with a good return. But now in hindsight, I can't be happier that it is just KPA Pension that manages my pension savings,” says Lena Lindström who is employed as a teacher in Vännäs Municipality.

Last spring, KPA Pension announced a competition among customers in municipalities and county councils where two winners would get to go with on a knowledge trip to Uganda. Over the years, KPA Pension together with Vi-skogen planted 40,000 trees at Lake Victoria, in an area that is threatened by drought, erosion and heavy rains. The aim of the trip was to follow up the work of the tree planting project, at the same time that it gave KPA Pension an opportunity to get the customers involved in the sustainability work. Of around 800 competitors, Lena Lindström was one of two winners who travelled to Uganda this past autumn.

“The global climate challenge and how poor farmers had already been affected by it became very concrete. It was particularly rewarding to visit farmers who cooperated with Vi-skogen on agroforestry, which is the planting of trees and other plants and training in forestry. We got to see successful examples where the differences in the harvests before and after were clear and how it both improves the families' subsistence and the climate,” explains Lena and continues:

“I was inspired and impressed by the work KPA Pension and Vi-skogen do. I was happy to see how a large company can serve as a good example. I also realise that we as individuals can also make a difference. Where my pension savings end up feels very important after this trip.



Lena Lindström:

“Where my pension savings end up feels very important”



# Our role in society

We and our subsidiaries fill an important function in society. To promote both our own business and positive social development, we therefore get involved in various issues, cooperation and partnerships. On the following pages, we present some examples of how we act and interact with our surroundings.



# Research support and prices

## Research foundation

Folksam has a research foundation the purpose of which is to promote prevention of accidents and disease, rehabilitation and health-promoting scientific research through its own activity or through financial grants. It is primarily intended to make research grants in the areas of road safety, health and the environment. In 2014, 32 applications for research grants were received, of which five were awarded grants:

- Mora hospital on health benefits and risks of physical activity.
- Karolinska Institutet on risk factors for injuries in the shoulder region in connection with handball.
- Chalmers University of Technology on why some whiplash protection has a negative effect on women, but not men.
- Lund University on the development and improvement of methods to assess the risk of cardiovascular disease in women.
- Chalmers University of Technology where a medical instrument, bioimpedance, is evaluated for diagnostics and monitoring of trauma patients.

## Idrottsfonden Sports Fund

Folksam has operated the Idrottsfonden Sports Fund for decades. One per cent of the capital in the fund is distributed annually in the form of scholarships. The fund invests in Swedish and foreign equities and follows Folksam's ethical investment policy on human rights, corruption, tobacco, the environment and in the fund also alcohol.

## Nordic Medicine Prize - in cooperation with Folksam

The Nordic Medicine Prize is one of the Nordic region's medical prizes and is awarded every year by the Ulf Nilsson Foundation - in cooperation with Folksam. The prize amount is SEK 1 million and shall reward researchers who focus on "medical problems that directly affect people's daily lives and entail long-term working capacity impairment".

In 2014, prize winners Erkki Isometsä, Professor of Psychiatry, and Gerhard Andersson, Professor of Clinical Psychology, were rewarded for their pioneering studies on prevalence, causes and treatment possibilities in connection with depression and anxiety. The research has among other things led to clinical treatment programmes, based on a scientific foundation, now being able to be used for these commonly occurring illnesses that negatively affect many people both privately and in working life.

## Swedish Association of Health Professionals' prize in cooperation with Folksam

The Swedish Association of Health Professionals' prize is annually awarded by the association in cooperation with Folksam. With the prize, prominent efforts and development of Swedish health care are recognised. In 2014, the prize amount was SEK 500,000, which makes it one of Sweden's largest in the health care field. The winner was Mare Teinlum-Kruse, Licensed Stroke Nurse and Team Leader at the Stroke Unit at Sahlgrenska Hospital, for her work with supported release upon stroke.

## Gothenburg Prize for Sustainable Development

Folksam is one of the sponsors of the Gothenburg Award for Sustainable Development. The topic in 2014 was "Nature's services and ingenious solutions". The winner was Paul Polman who receives the prize of SEK 1 million for his pioneering leadership for global business. He has shown an awareness and activeness against the short-sightedness that traditionally prevails in the corporate world. Polman became the CEO of Unilever in 2009. He began a thorough course change towards a more sustainable business, in part through Unilever's "Sustainable Living Plan".

### International agreements and frameworks

UN Principles for Responsible Investment (PRI)

UN Global Compact

UN Environment Programme Finance Initiative, UNEP FI

Global Reporting Initiative, GRI

ISO 26000:2012

The Montreal Carbon Pledge

### Certifications

Good Environmental Choice

# In cooperation with others

Folksam has long been active in various organisations, both national and international. Through them we can gain new knowledge and information that we can use and share. Here, a selection is provided:

Networks and groupings	
Mutuality	
ICMIF	206 organisations in 70 countries are members in the International Cooperative and Mutual Insurance Federation (ICMIF). Folksam is one of more than 600 insurance companies that are represented. ICMIF is right now the only international federation that represents both mutual and cooperative companies.
Allnations	Allnations is a limited liability company that was created in 1966 under ICMIF. The goal of Allnations is to support development in member companies experiencing financial difficulty, assist in forming new mutual and/or cooperative insurance companies through investments, and ensure that the owners obtain a reasonable return on invested capital.
AMICE	"Association of Mutual Insurers and Insurers Cooperatives in Europe", was formed in January 2008 through a merger of two already existing confederations of mutual and cooperative insurance companies in Europe, AISAM and ACME. Its primary objective is to act as a uniform voice for the mutual and cooperative insurance sector in Europe.
Trade associations	
Swedish Insurance Federation	The insurance companies' trade association that works for good operating conditions for the insurance companies.
EAPSPI	KPA Pension is actively involved in EAPSPI (European Association of Public Sector Pension Institutions), which is a European cooperative organisation between pension institutions with responsibility for public-sector pensions. KPA Pension holds the post as the chair since 2012.
Swedish Insurance Society	This organisation shall contribute to a sound and purposeful development of insurance in Sweden by developing the members' profession-specific and general knowledge in insurance.
Insurance Europe	This organisation works to promote the European insurance market and its conditions.
Road safety research	
AEB Group (Autonomous Emergency Braking Group)	International group for developing tests standards for autonomous braking systems.
ETSC (European Transport Safety Council)	European lobby group whose purpose is to influence European road traffic legislation.
GNS (Group for National Collaboration)	Forum for the exchange of knowledge and the coordination of operations within the field of road safety with the purpose of realising the Zero vision.
ISO/TC 22/SC 12/WG 7 Road vehicles	International standardisation group in road accident analyses where Folksam is chair.
ISO/TC 22/SC 12/WG 1 Road vehicles	International standardisation group in the child safety area.
RCAR (Research Council for Automobile Repairs)	Collaborative international insurance industry group that focuses on road safety and repair methods.
SAFER	Collaborative Swedish group within the road safety field located at Chalmers University of Technology in Gothenburg.
SIS/TK 237	Collision tests, road traffic injury analyses and EEVC coordination; Swedish coordination group for standardisations within the specified field.
SIS/TK 242	Child car safety. Swedish coordination group for standardisations within the specified field.

## Networks and groupings, continued

### Corporate Governance

Sustainable Value Creation	In 2009, Folksam joined 14 other Swedish institutional investors in a cooperation to jointly influence listed Swedish companies for a sustainable and long-term sustainable value creation.
Carbon Disclosure Project	Folksam was previously involved in and sponsored the Nordic secretariate for the Carbon Disclosure Project (CDP), which gathers the listed companies' work on climate, forests and water in their data base. Today, several hundred investors worldwide, including Folksam, stand behind CDP. CDP's data is also among all financial information in Bloomberg.
Swesif	Swesif is an independent network forum for organisations that work for or with sustainable investments (SRI) in Sweden. Swesif shall increase the knowledge and interest for SRI among institutional asset owners and managers. SRI comprises investments that in addition to financial factors that consideration of the environment, social responsibility and corporate governance or other surrounding factors in the investment process. Since spring 2014, Folksam has a representative on Swesif's board of directors.
Global Network Initiative	Folksam is the first European investor to be elected as a member of the Global Network Initiative (GNI). In common with other organisations such as the IT companies Google and Microsoft, various professional and industrial bodies, universities and investors, we work to safeguard human rights on the Internet and within telecommunications.
Nordic Engagement Cooperation	Since 2008, Folksam has cooperated with Norwegian company KLP and the Finnish company Ilmarinen in the Nordic Engagement Cooperation (NEC). The objective is to coordinate corporate governance activities targeted at listed holdings in terms of the environment, human rights and anti-corruption. NEC has meetings four times a year and in between them, the respective investors are responsible for a number of companies on a joint focus list.
Institutional Owner Association	Folksam cooperates with other institutional owners on regulation issues on the share market. This occurs within the scope of the Institutional Owner Association.
SNS – Centre for Business and Policy Studies	Folksam is a member of SNS. Since 2012, Folksam has also been a member of SNS forum for research-based dialogue on corporate governance and owner issues.

### Environment

Haga Initiative	During the year, Folksam became a member of the Haga Initiative corporate network. The network gathers companies that work to achieve the vision of a profitable business without climate impact. The Haga Initiative works to strengthen the role of business in climate policy and by showing the connection between ambitious climate strategies and greater profitability.
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### Human rights

United Nations Association of Sweden	RPA Pension has cooperated with UNA Sweden since 2008. The cooperation is based on strengthening human rights in Sweden and internationally. Two projects that RPA Pension participates in are the "Project Girl" that works to improve conditions for disadvantaged girls in the world and "School food provides knowledge".
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### Education

Universities	To increase knowledge about insurance in society and to safeguard Folksam's future skills supply, we pursue strategic educational collaborations with universities and vocational training schools. Through them, students are offered study visits and practical placement and Folksam is involved in formulating the programme contents.
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## Financial value creation

Through our business, we create value for our stakeholders in various ways. The premiums our customers pay in are redistributed to some extent back to the customers and other players in society. The table show our financial value creation in 2014 for Folksam Life and Folksam Non-life.

Financial value generated, SEK million	2014
Income*	45,849
<b>Financial value distributed</b>	
Operating expenses**	-37,338
Salaries and remuneration	-2,802
Payments to capital providers	-1,939
Payments to central government	-737
<b>Financial value retained</b>	<b>3,033</b>

\* This item also covers unrealised gains and losses

\*\* This item also covers changes in the value of investment assets and actuarial provisions

“Our sponsorship should contribute to the appreciation of our brand”

## Our sponsoring cooperation

We want our sponsoring to contribute to the approval of our brand and give us possibilities to create and strengthen long-term relationships with existing and future customers and partners. What we sponsor shall have a broad popular base and not be unethical or contribute to negative environmental impact.

### Sports sponsorship

As the insurance company of sports, sporting sponsorship is important to Folksam. The objective is to build the brand by supporting both elite and exercise sports and creating and strengthening long-term relationships with Swedish sports.

Our sponsorship collaboration in sports are:

- Swedish Basketball Federation
- Swedish Athletic Association
- Swedish Football Association
- Track and Field for the Disabled and Hearing Impaired
- Swedish Innebandy Federation
- Ledar Camp
- O-Ringen
- Swedish Ski Association
- Vasaloppet
- Vikingarännnet

### Human and social sponsorship

Within the area of human and socially oriented sponsorship, we have had extensive cooperation for several years with We Effect (formerly the Swedish Cooperative Centre), an aid organisation that works to provide the poor and disadvantaged a better life. We want to contribute to changing the world to make it more just, democratic and equal. Staff have the option of donating part of their pay to the organisation through deductions from salary. The sum the employees contribute is doubled by Folksam. In December 2014, Folksam also made a Christmas donation of SEK 100,000. Our total collection for We Effect amounted to SEK 1,578,457 in 2014.



# Every Swedish Crown of profit benefits the customers

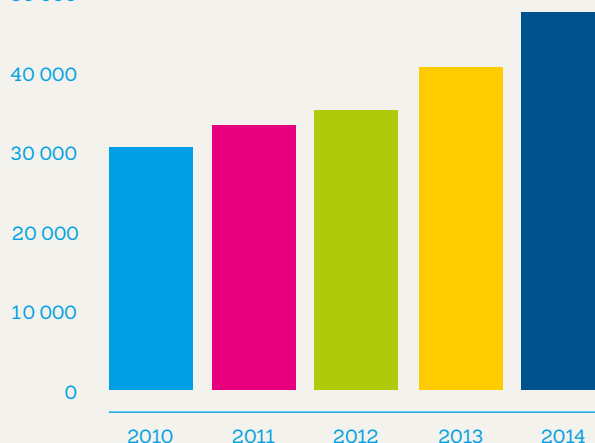
Folksam with its subsidiaries continued to develop strongly in 2014. The positive development was particularly about large premium volumes, higher return on capital and greater appreciation of our brand.

As a mutual company, Folksam's profit stays with our customers in the form of better insurance, lower premiums and bonus interest. This way, every krona of profit benefits the customers.

In many ways, 2014 was a successful year for Folksam and its subsidiaries. Total premiums earned rose to SEK 47.5 billion (40.4). It is primarily our financial strength that continues to drive demand in our various companies.

Total premium volume

SEK million  
50 000



Folksam Total	2014	2013	2012
Premiums, SEK million <sup>1</sup>	47,501	40,631	35,226
Assets under management, SEK million <sup>2</sup>	350,170	304,299	275,380
Fund insurance assets, SEK million	99,525	79,221	62,224

<sup>1</sup> Premiums comprise premiums earned in non-life insurance, premiums written in life insurance, and receipts and fees from unit-linked insurance investors.

<sup>2</sup> Assets under management represent assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries, plus assets under management in Konsumentkooperationens pensionsstiftelse.

# Raised bonus interest

During the year, we raised the bonus interest rate on traditional life insurance twice. Since September, it is 7.0 per cent before taxes and fees. The increase was made in light of our strong financial development and the fact that the collective consolidation in the company (the ratio between the company's assets and how much is distributed to the policyholders) is above the set target level. At the end of 2014, Folksam Life's collective consolidation was 124 per cent. KPA Pension uses rate of return instead of the bonus rate. The rate of return means that all returns are distributed directly to the customers after every quarter. The collective funding ratio is therefore always around 100 per cent at KPA Pension. The rate of return for 2014 was 13.4 per cent.

## Bonus interest for the third consecutive year

Thanks to our strong financial position, Folksam Non-life was able to issue bonus interest to its customers for the third year running after having introduced the bonus interest programme in 2012. Folksam Life is a part of the bonus interest programme in risk insurance for the second consecutive year. For the 2014 financial year, 2.4 million customers share SEK 546 million (480) in bonus. Within Folksam Non-life, pet, home and automotive insurance are covered as well as personal risk, and in Folksam Life, group insurance is included. The bonus is the ultimate proof that we are the customers' company. This contributes to strengthening our brand and achieving more satisfied customers.

“Bonus interest is the utmost proof that we are a customer-owned company that is thriving”

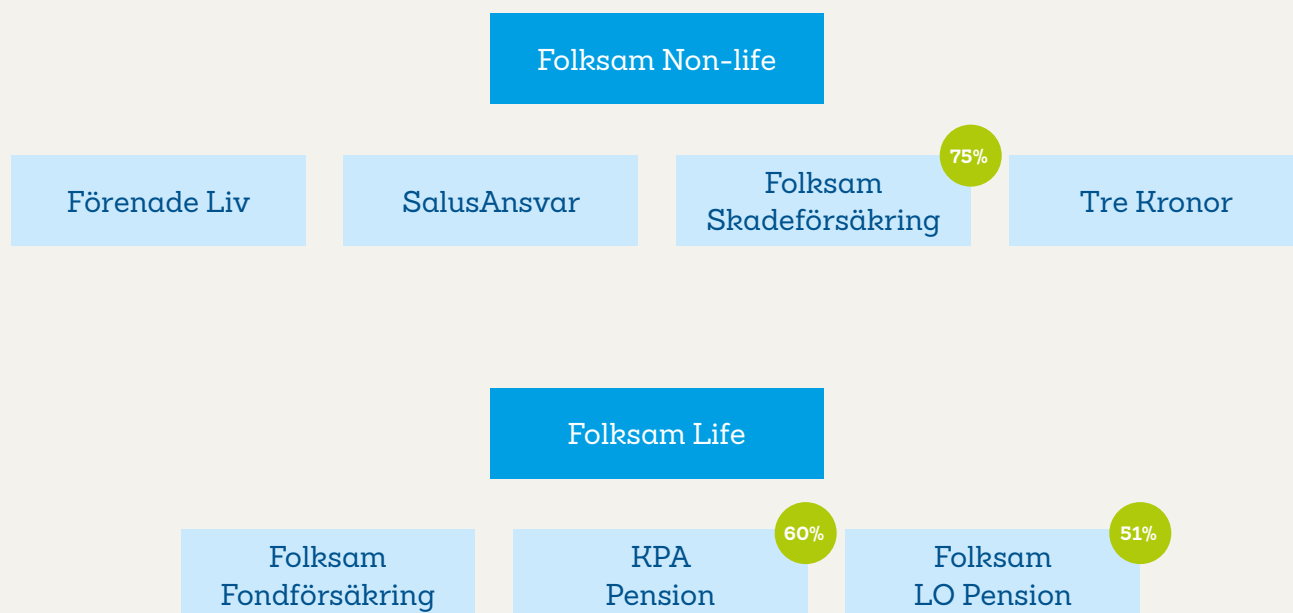
Folksam Life bonus interest		
	Insurance (covered)	Bonus interest
2012	—	—
2013	• Group life	20% per paid premium SEK
2014	• Group life	25 % per paid premium SEK

Bonus in Folksam Non-life		
	Insurance (covered)	Bonus interest
2012	• Home • Automotive • Personal risk	4.1% per paid premium SEK.
2013	• Home • Automotive • Personal risk • Animals	4.5 % per paid premium SEK.
2014	• Home • Automotive • Personal risk • Animals	4.4 % per paid premium SEK.

# Four brands in two corporate groups

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam Non-life) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries. Two of the subsidiaries in Folksam Life are part-owned. These are Folksam LO Fondförsäkring, which is 51 per cent owned, and KPA Pension, which is 60 per cent owned. In Folksam Non-life, the subsidiary Folksam Skadeförsäkring is part-owned at 75 per cent.

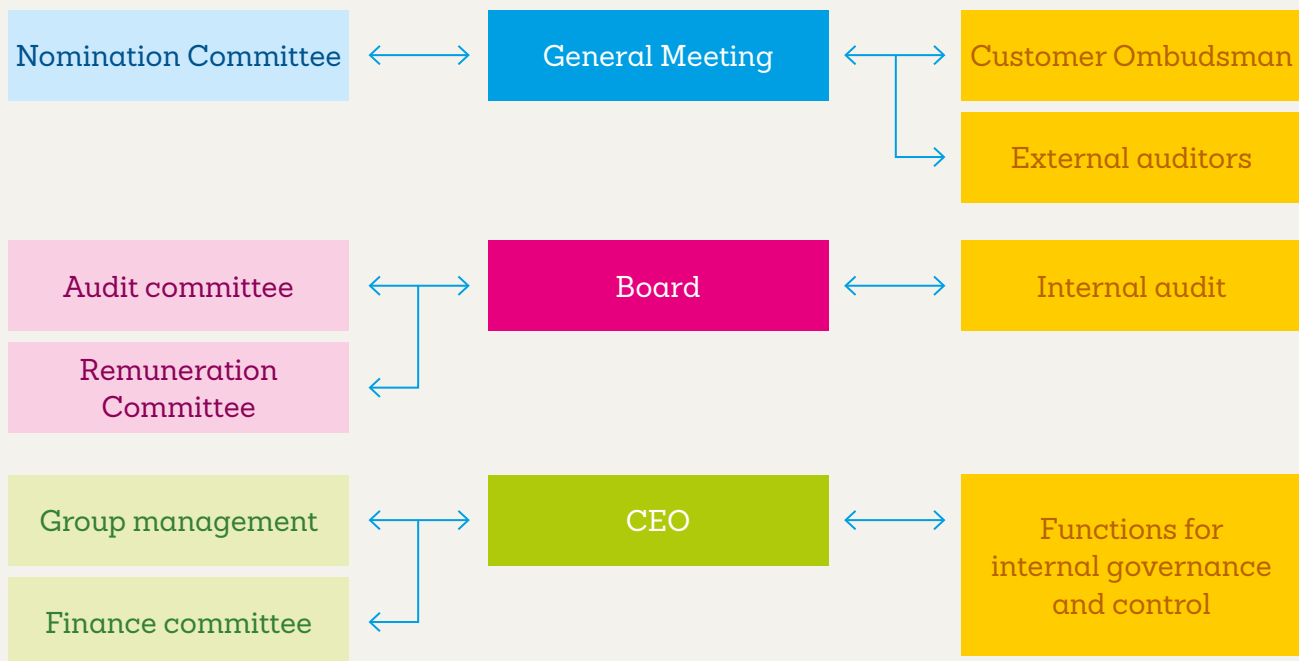
Of the group companies, Förenade Liv Grupp-försäkring (Förenade Liv) and the insurance companies in KPA Pension are not consolidated in the consolidated accounts in Folksam Non-life and Folksam Life, respectively. The reason is that these companies are not dividend-paying and therefore all surplus in the companies goes to the policyholders. To achieve economies of scale, the companies collaborate on distribution, administration and asset management.





# You are involved and have influence

Folksam has no shareholders. Instead, it is influence from our just over four million customers that leads to decisions at the Annual General Meeting. For us, it is of central importance that the customers can be involved and influence what we do. Their influence in the form of voting rights, the right of expression and proposal takes place through specially elected delegates. Delegates are either directly elected policyholders or appointed by large customer groups/organisations. In Folksam Non-life, the customers are represented by 80 delegates and in Folksam Life by 75 delegates.



# How our boards operate

In Folksam, the board members represent the policyholders' interests. The board members therefore represent the various customer groups, meaning the cooperative sphere, labour union sphere, sports movement, retirees, entrepreneurs and employers. Since 2013, there are also representatives in the boards outside of these spheres.

The nominations committees make proposals to the annual general meetings on who should sit on the boards. They are to aim for the boards to have a suitable composition with regard to skills, age and gender. The parent company boards held seven board meetings each during the year. Ahead of each meeting, the boards received a written report from the CEO on major events in Folksam, and also in the industry in general.

The boards continuously followed up the strategic goals in accordance with Folksam's strategic agenda. During the year, they reviewed financial reports, risk and compliance reports, actuary reports, internal audit reports, subsidiary operations and finances, market and competitor analyses. In order to discuss strategic and future issues in greater depth, the boards held their annual joint two-day seminar in June 2014. The theme addressed at the seminar was market analysis, strategy review and risk and capital planning (ORSA). For more detailed information on the boards' compositions and their work, see the corporate governance reports on [folksam.se](http://folksam.se).



## More about: Our Group-wide sustainability committee

In 2014, Folksam established a Group-wide sustainability committee with the task of:

- adopting common goals and bases for sustainability efforts to achieve our vision,
- consolidating sustainability work links to business operations,
- coordinating each company's sustainability efforts, and strengthening customer choice in connection with sustainability issues.

The sustainability committee is a preparatory body that provides decision support data for the individual company managements and coordinates, streamlines and follows up our sustainability efforts based on an overarching policy. The committee is chaired by the Group CEO and representatives from each company's business and sustainability departments and the public-relations unit.

# Board of Directors Folksam Non-life



## Back row, from left

Eva Lindh  
Karl-Petter Thorwaldsson, Chairman  
Anita Modin  
Mikael A Carlsson, employee representative  
Magnus Ling  
Ulf Andersson  
Anders Lago  
Göran Lindblå  
Ann-Louise Andersson, employee representative  
Kerstin Kujala, employee representative

## Front row, from left

Ella Niia  
Bo Jansson  
Karin Mattsson Weijber, Vice Chair  
Leif Linde

# Folksam Non-life

Folksam Non-life is customer-owned and undertakes general insurance activity principally focused on the Swedish household market. The company offers a full range of insurance products to households and individuals with car and household insurances as the base, supplemented with commercial insurance products within selected areas.

## Occurred in 2014:

1. The summer's powerful rains and thunder storms led to our weather-related claims expenses increased.
2. Folksam's Home Insurance Plus was ranked top in the Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) comparison of home insurance. Folksam insures 450,000 single-family homes, terraced houses and linked houses.
3. The portfolio from SalusAnsvar was transferred to Folksam Non-life.

Folksam Non-life (Parent Company)	2014	2013	2012
Premiums earned, SEK million	10,096	8,800	8,340
Profit/loss before appropriations and income tax, SEK million	2,426	2,056	1,874
Total expenses, %	99	100	102
• Claims expenses, %	82	82	83
• Operating expenses, %	17	18	19
Funding ratio, %	153	149	139
Total return, %	8.1	7.7	8.2

# Board of Directors Förenade Liv



## Back row, from left

Elisabeth Sasse  
Lars-Erik Klason  
Sture Nordh, Chair  
Kristian Sihlén, employee representative  
Eva-Lotta Nilsson

## Front row, from left

Peter Lennartsson  
Pia Carlsson Thörnqvist  
Niklas Hjert  
Git Claesson Pipping

## Not pictured:

Linda Jonsson, employee representative

# Förenade Liv

Förenade Liv is specialised in personal insurance for white-collar workers and university graduates. In close cooperation with organisations and employers, smart group solutions are tailored. The products offered are life, health, diagnosis, accident and medical expenses insurance. In total, Förenade Liv insures just over 800,000 people in around 1,500 group agreements. Förenade Liv is a non-profit limited liability company that is operated on mutual principles.

## Occurred in 2014:

1. Förenade Livs medical care business grew strongly. Among other things, the Swedish Police Union chose to supplement its personal insurance package with medical care insurance for all members. Sweden's university teacher federation SULF and Kyrkans Akademikerförbund expanded both their cooperation with Förenade Liv by signing agreements for income insurance.
2. Together with Lärarförbundet, Förenade Liv paid out SEK 80 million in cash bonus to 101,000 teachers.
3. Förenade Liv further developed its unique partner web with online services. Together with flexibility in the product packaging, this led to Förenade Liv growing further on the broker market. Among other things, a voluntary group insurance was signed for all employees of Ikea Sweden.

Förenade Liv	2014	2013	2012
Premiums earned, SEK million	938	866	661
Profit/loss before appropriations and income tax, SEK million	149	267	297
Total expenses, %	115	91	25
• Claims expenses, %	99	79	21
• Operating expenses, %	16	12	4
Funding ratio, %	200	199	227
Total return, %	9.6	7.6	6.7

# Board of Directors Folksam Life



## Back row, from left

Anders L. Johansson, employee representative  
Mikael Täll, employee representative  
Jan Rudén  
Susanna Gideonsson  
Sam Sandberg  
Anders Sundström, Chair  
Johnny Capor  
Sune Dahlqvist

## Front row, from left

Susanna Järnek, employee representative  
Göran Arrius  
Maj-Britt Johansson-Lindfors  
Martin Linder

## Not pictured:

Eva-Lis Sirén, Vice Chairman  
Annelie Nordström

# Folksam Life

Folksam Life is customer-owned and conducts life insurance business. The company offers occupational pensions and pension investments to private individuals, directly or through partnerships, as well as group life insurance and other types of risk insurance.

The solvency ratio in Folksam Life was 155 per cent at year-end. This means that we have 55 per cent more assets than are needed to pay out the guaranteed pensions. A high solvency ratio is also a prerequisite to be able to provide good future return on assets under management.

## Occurred in 2014:

1. Folksam Life raised the bonus interest rate on traditional insurance by 0.5 per cent on two occasions. Since 1 September 2014, the bonus interest rate has been 7.0 per cent before tax and fees.
2. To strengthen the long-term perspective in our traditional life insurance and protect the already insured collective, we introduced a ceiling on deposits of SEK 500,000 per year and insured and a ceiling of SEK 10 million per insurance agreement.
3. The deduction right for private pension savings was changed as of 2015. As a result of this, Folksam Life stopped new sales of private pension savings and launched a new offering in the form of a flexible endowment insurance that is very similar to private pension insurance.

Folksam Life (Parent Company)	2014	2013	2012
Premiums earned, SEK million	13,437	8,569	7,547
Profit/loss before appropriations and income tax, SEK million	6,036	14,858	10,779
Solvency ratio, %	155	161	144
Total return, %	12.0	7.6	7.0
Bonus interest Life1, % <sup>1</sup>	6.5	5.5	4.5
Collective funding Life1, %	125	120	118
Bonus interest Life2, % <sup>1, 2</sup>	6.5	6.0	6.0
Collective funding Life2, % <sup>2</sup>	126	118	116

<sup>1</sup> Reported bonus interest rate pertains to the average for the year.

<sup>2</sup> Cooperative occupational pension

# Board of Directors KPA AB



## Back row, from left

Ilmar Reepalu  
Pia Carlsson Thörnqvist  
Anders Knappe, Vice Chair  
Håkan Sörman  
Susanna Järnek, employee representative

## Front row, from left

Elisabeth Sasse  
Thomas Månsson, employee representative  
Jens Henriksson, Chair

*Not pictured:*  
Ann-Charlotte Tollqvist, employee  
representative

# KPA Pension

KPA Pension is a brand and joint name for KPA Pensionsförsäkring, KPA Livförsäkring and KPA Pensionservice. KPA Pension is the pension company for the local government sector and manages occupational pensions for employees in local government, county councils, and local government and cooperative companies. KPA Pensionservice offers employer service for the handling of municipal pension commitments, administration of the employees' individual pension choices and qualified consulting services, occupational group life insurance and professional pension advice. KPA Pension offers private individuals investments in private pension insurance and unit-linked insurance. Folksam owns 60 per cent of KPA Pension and the Swedish Association of Local Authorities and Regions (SALAR) owns 40 per cent. The solvency ratio in KPA Pension was 166 per cent at the end of 2014.

## Occurred in 2014:

1. KPA Pension again won Sweden's largest procurement of pension administration when the Skåne municipalities with more than 100,000 employees and just over 40,000 retirees in 33 municipalities and six municipal associations chose KPA Pension for administration and insurance of pensions.
2. KPA Pension integrated SPP Pension Services and renamed them to KPA Pensionstjänst in 2014. One of the reasons that KPA Pension bought SPP Pension Services was to gain access to its modern administration system.
3. Since 1 September, full transfer right applies for employees that are covered by the occupational pension agreements KAP-KL, AKAP-KL, PFA98 and PFA01. Thereby, earned pension capital within the agreement area can be transferred from one insurance company to another. The transfer right covers all employees in municipalities, county councils, regions, municipal associations, and municipal companies.

KPA Pension	2014	2013	2012
Premium income, SEK million	10,172	9,889	7,713
Solvency ratio, %	166	172	150
Total return, %	13.3	8.2	7.2
Rate of return, %	13.4	8.0	7.0
Collective funding ratio, %*	102	102	102

\* The funding ratio is always around 100 per cent since all surplus and deficit are distributed to the customers after each quarter.



# Folksam LO Pension

Folksam LO Pension is a brand focused on collectively agreed occupational pensions and principally covers administration and management of pension allocations made under the pensions agreement between the Confederation of Swedish Enterprise and LO (the Swedish Trade Union Confederation). Operations are conducted in Folksam LO Fondförsäkring, which is owned by Folksam Life with 51 per cent and LO and several of their associations with 49 per cent.

## Occurred in 2014:

1. Folksam LO Pension has the best return among comparable companies over five years (2009-2013) by 12.5 per cent.
2. Folksam LO Pension is a selectable alternative after SAF-LO signed a new agreement for collective agreement occupational pensions.
3. The Fora selection centre had its administration closed in the first half of 2014, which influenced sales negatively. Sales during most of the second half of the year went well.

Folksam LO Pension	2014	2013	2012
Premium income, SEK million	65	50	38
Profit/loss before appropriations and income tax, SEK million	304	180	152
Solvency factor, %	3.1	2.8	2.5
Total return, %	17.9	17.8	10.8

# Group management



**Jens Henriksson**  
CEO

Born 1967  
Employed since 2013  
In current position since 2013



**AnnKristine Wuopio-Mogestedt**  
Senior Vice President  
and Head of Claims

Born 1961  
Employed since 1988  
In current position since 2006



**Gunnar Fröderberg**  
Senior Vice President  
and Head of IT

Born 1953  
Employed since 2008  
In current position since 2008



**Senior Vice President  
and Head of Products**

Born 1969  
Employed since 2005  
In current position since 2008



**Harriet Pontán**  
Senior Vice President  
and Head of HR

Born 1953  
Employed since 2005  
In current position since 2005



**Lars-Åke Vikberg**  
Managing Director of KPA Pension  
Head of Collectively  
Agreed Business BA

Born 1966  
Employed since 2009  
Withdrawing. In position since 2014



**Pia Marions**

Chief Financial Officer, CFO

Born 1963

Employed since 2014

In current position since December 2014



**Torbjörn Eckerdal**

Senior Vice President  
and Head of Private BA

Born 1958

Employed since 1985

In current position since 2008



**Elisabeth Sasse**

Senior Vice President  
and Head of Partner BA

Born 1966

Employed since 2011

In current position since 2014



**Tomas Norderheim**

Executive Vice President  
and Head of CEO Staff

Born 1955

Employed since 1987

In current position since 1998



**Pia Carlsson Thörnqvist**

Senior Vice President  
and Head of Marketing

Born 1964

Employed since 1982

In current position since 2008



We provide  
security for  
our customers



# Auditor's report on the review of the Folksam Sustainability Report 2013

For Folksam

## Introduction

We have been engaged by the Board of Directors and Executive Management of Folksam ömsesidig livförsäkring and Folksam ömsesidig sakförsäkring (Folksam) to conduct a review of the contents of the Folksam Sustainability Report 2014. The company has defined the scope of the sustainability report under the heading "About the Annual Report and Sustainability Report 2014" on page 89 in the Annual Report and Sustainability Report 2014.

## The Boards of Directors and Executive Management's responsibility for the sustainability report.

It is the Board of Directors and the Executive Management that bear the responsibility for preparing the sustainability reporting in accordance with the applicable criteria, which are presented under the heading "About the Annual Report and Sustainability Report 2014" on page 89 in the Annual Report and Sustainability Report 2014, and comprising those parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) applicable to the sustainability report, and the company's own reporting and calculation principles. This responsibility also includes the internal control that is deemed necessary to prepare a sustainability report that does not contain material misstatement, whether due to error or impropriety.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We have conducted our review in accordance with RevR 6 Assurance of Sustainability Reports, issued by FAR. A review consists in making enquiries, primarily among persons responsible for preparing the sustainability report, and in performing analytical and other review procedures.

The review is substantially less in scope and has another direction compared to an audit conducted according to IAASB standards on auditing, quality control and good accounting practice otherwise has. The procedures performed consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. The stated conclusion based on a review therefore does not have the certainty that an expressed opinion based on an audit has.

Our review is based on the criteria chosen by the Board and Executive Management defined above. We consider these criteria suitable for the preparations of the Sustainability Report.

We regard the evidence we have obtained during our ordered are sufficient and appropriate in order to provide grounds for the opinion we provide below.

## Opinion

Based on our review procedures, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, have been prepared in accordance with the above stated criteria set forth by the Board and Executive Management.

Stockholm, 23 March 2015  
KPMG AB

Anders Bäckström  
Authorised Public Accountant

Torbjörn Westman  
Specialist member,  
Swedish institute for  
professional authorised  
public accountants

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74, 76, 78, 80  
and 84-85,  
Eva Axelsson page 61  
Andreas Lind all other pages



## About the year's annual report and sustainability report

Folksam with its subsidiaries publishes an annual report and sustainability report every year. Folksam has published a sustainability report every year since 2002. Sustainability is an integrated part of our operations and since 2014 we integrate our annual report with the sustainability report. The report describes events during 2014 and supplements the information in the annual report. In-depth sections of the sustainability report, such as environmental data, employee data, PRI reporting and the GRI index, are on [folksam.se](http://folksam.se) (search: "Sustainability report 2014").

We report based on the Global Reporting Initiative (GRI) G3 guidelines and our sustainability report is audited externally by the public accounting firm KPMG. This audit covers pages 1-13, 18-39 and 41-67 in the Annual Report and Sustainability Report, and the GRI index and in-depth sections of the sustainability report on the web.

Folksam's understanding is that the report meets the B+ GRI application level, and this has also been confirmed by the external auditors.

The report applies to Folksam in its entirety, excluding Folksam's operations in Finland (Folksam Skadeförsäkring). No significant changes have taken place during the year in regard to size, structure or ownership. The report follows Folksam's financial year and thereby comprises the period 1 January 2014 to 31 December 2014. The last sustainability report was published in March 2013.

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# You own Folksam

Folksam is a customer-owned company. This means our customers are also our owners and our surplus goes back to the customers. This is how we have always worked.