

# Interim Report

January – September 2015



Folksam



Folksam

# Satisfied customers and a high rate of change

We have seen a continuation of the high rate of change in the past quarter, along with goal-oriented efforts to safeguard the trust that our customers have placed in us. Although many things are going Folksam's way and we are financially strong, we face a number of challenges. Uncertainty in the world economy, not least in China and a number of other emerging markets, is helping to bring about market turbulence, and one challenge faced by the entire industry involves achieving positive returns with prevailing interest rates.

To this can be added the many regulatory issues that are currently high on the agenda. On 1 January 2016, Folksam and the rest of the industry will be embarking upon the new Solvency II rules. Another important crossroads that we are facing relates to occupational pensions, which may fundamentally reshape the industry. Our approach is to do whatever is most beneficial for our customers, no matter what the situation.

During the period, we have continue to focus on our core business of pension investments and insurance for the many. For example, the changes we made to our traditional life insurance are now starting to take effect. In this way, we are making Folksam's traditional life insurance more robust and resilient, thereby benefiting our pension savers.

At the same time, we are continuing to work on our modernisation and streamlining projects in order to ensure that they deliver within their financial frameworks and have the intended effects. During the past quarter, I also announced our intention to incorporate Förenade Liv into Folksam in order to simplify and consolidate the business for the benefit of our customers. I will come back to this a little later.

The fact is, Folksam is growing and our customers are happy with us. In the third quarter, we also managed to achieve the highest figure to date as regards the number of people who say they would consider becoming our customers. This is clear evidence of the fact that we are doing many things

Folksam is owned by customers and comprises the two parent companies Folksam Sak (hereinafter Folksam General) and Folksam Liv (hereinafter Folksam Life) with subsidiaries. Folksam includes the parent companies and all subsidiaries, with the adjustments specified in the footnotes beneath the table.

In this interim report, we will also be reporting on the Group Folksam General, the parent company Folksam Life, and RPA Pension.



right and that our commitment to our customers is driving our success. We are now continuing our efforts with undiminished energy so that we can come closer to our goals of more full-service customers and the most satisfied customers in the insurance and pension savings industry.

**Jens Henriksson**  
CEO and Group President

## Significant events during the period

### Third quarter

- Folksam Life has implemented changes in the traditional life insurance to ensure that our customers will experience continued and prosperous long-term development in their retirement savings. Since 1 July, we have been applying various bonus interest rates for old and new capital.
- We reported that we are intending to transfer the business of our subsidiary Förenade Liv to Folksam. This means that the company's business and insurance portfolio will be gradually incorporated into Folksam and that the brand will be phased out in the long term.
- Folksam has appointed Elisabeth Sasse the new Head of Collectively Agreed Business. She takes over from former boss Lars-Åke Vikberg. Elisabeth Sasse took over on 1 September. She will also be continuing in her position as Head of Folksam's Partner Business.

## Significant events after the end of the period

- Folksam's new management agreement with Newsec came into force on 1 October. As a result, all property management is outsourced. At the same time, we have reinforced our property organisation with new skills in order to allow for value creation.
- Folksam will become the new main sponsor of equestrianism as part of a long-term partnership with the Swedish Equestrian Federation, which will initially run over a period of five years from 1 January 2016. Among other things, Folksam will be offering home insurance to members of the Federation. The Federation will also be able to benefit from Folksam's extensive experience of injury prevention work in the field of sports. The Swedish Request and Federation will be one of our five priority sports partners. As the insurance company of sports, Folksam is a partner to 54 different sports associations.
- On 15 October, the government appointed Erik Thedén as the new Director General of the Swedish Financial Supervisory Authority. As a result, he has left his position as CEO of KPA Pension and Mia Liblik has taken over as Acting CEO.
- Stockholm County Council selected KPA Pension as its supplier of pension administration. Stockholm County Council has been one of KPA Pension's biggest customers for many years and has more than 43,000 employees and about the same number of retired staff.

## Summary: Key ratios

Folksam	Jan-Sep 2015	Jan-Sep 2014	2014
<b>Folksam Customer Index (FCI), %</b>	<b>78</b>	<b>79</b>	<b>79</b>
Premiums, SEK millions <sup>1</sup>	42,424	36,461	47,501
of which Folksam General <sup>2</sup>	10,194	9,636	12,925
of which Folksam Life <sup>2</sup>	32,229	26,825	34,576
Managed assets, SEK millions <sup>3,4</sup>	364,930	339,112	350,170
Unit-linked insurance assets, SEK millions <sup>3,5</sup>	105,180	92,900	99,525
Full-time employees <sup>6</sup>	3,727	3,550	3,563

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

<sup>2</sup> Relates to the summary total premiums per company with the respective subsidiaries, including the non-consolidated insurance companies.

<sup>3</sup> Relates to the end of the period.

<sup>4</sup> Assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries.

<sup>5</sup> Investment assets for which policyholders bear the risk.

<sup>6</sup> Based on the number of hours worked during the period.

# Folksam, nine months

## Market development

Folksam and the entire insurance and pension savings industry are active in a market that is undergoing rapid change. Uncertainty in the world economy is contributing to that pace, while at the same time the Solvency II rule will change our lives as of next year. At the end of September, the government submitted the "Implementation of the Solvency II Directive in the field of insurance" bill to Parliament. Among other things, this discusses Solvency II transition rules for companies conducting occupational pension operations, and these rules are endorsed by Folksam and KPA Pension. The reason for this is that stakeholders would then not need to alter basic regulation more than once. A decision from Parliament is expected on 18 November.

Folksam continues to be a clear market leader on the life insurance market, and its presence on the liability insurance market is growing. On the life insurance market, Folksam has increased its market share to 15.6 per cent (paid premiums, both old and new policies), thereby reinforcing its number one position. This is indicated by Insurance Sweden's industry statistics for the second quarter of 2015.

The same statistics show that as far as non-life insurance is concerned, Folksam has reinforced its position as the third biggest player, with a market share currently amounting to 16.2 per cent. The company has also seen strong growth in the fields of health and accident insurance in particular, but this increase is apparent in other insurance lines as well.

Total returns have fallen for Folksam and the industry. This figure amounted to 2.0 per cent for Folksam Life and 1.9 per cent for KPA Pensionsförsäkring for the first nine months of the year. Viewed over the last five years, total returns for Folksam Life amounted to 8.2 per cent and 8.5 per cent for KPA Pensionsförsäkring, compared with the industry average of 7.9 per cent.

## Folksam

During the period, Folksam has enjoyed good growth within both non-life insurance and life insurance. The total premium volume for the period January to September increased by 16 per cent to SEK 42,424 (36,461) million. Of this total volume, Folksam Life and its subsidiaries account for SEK 32,229 (26,825) million and Folksam General and its subsidiaries account for SEK 10,194 (9,636) million.

Non-life insurance activities are growing, particularly as regards health and accident insurance, but underlying growth is good in all insurance lines.

The volume growth for Folksam Life primarily continued within endowment insurances but also within occupational pensions. The changes we have made to traditional life insurance, with different bonus interest rates for old and new capital, are now starting to take effect in the form of a

reduction in single premiums and an increase in continuous deposits. With this, we are ensuring that our customers will experience continued and prosperous long-term development in their retirement savings.

We are now commencing final canvassing of customers who still have private pension savings with us prior to the deduction option ceasing to apply entirely from the start of next year. This is applicable to around 30,000 of the approximately 240,000 private pension savings customers we used to have.

During the quarter, Folksam reported that it is intending to transfer the business of its subsidiary Förenade Liv to Folksam. This means that the company's business and insurance portfolio will be gradually incorporated into Folksam and that the brand will be phased out in the long term. This change is completely consistent with our efforts to streamline, consolidate and modernise.

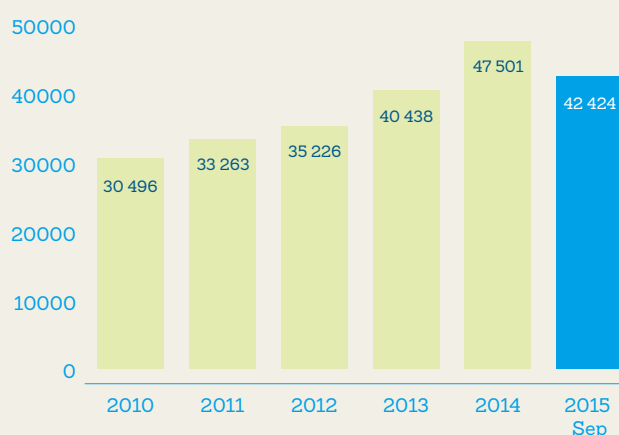
Elisabeth Sasse was appointed our new Head of Collectively Agreed Business and took over the role on 1 September. She will also be continuing in her position as Head of Folksam's Partner Business.

Major development initiatives such as enhancement of our IT systems and an increase in our digital presence for customer communication are continuing with a view to making Folksam an even more modern enterprise. Above all, we are embarking upon the final preparations prior to Solvency II, which is currently our most important project and has top priority.

As a consequence of Folksam's development, our number of full-time employees has increased over the past few years and now stands at just over 3,700, but we are now expecting this increase to tail off.

Folksam's customer satisfaction index (FKI) registers 78 (79) per cent satisfied customers, which is comparable to the target of 79 per cent for 2015 as a whole.

## Total premium volume, SEK millions



## Managed assets and unit-linked insurance assets

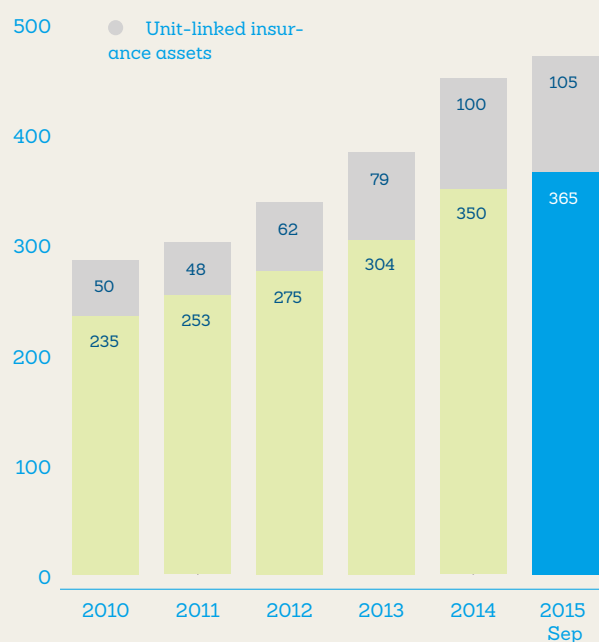
High returns at the start of the year and a strong influx of premiums helped to bring about an increase in Folksam's managed capital over the first nine months of the year, compared with the same period in 2014. At the same time, returns have fallen as a consequence of continued low interest rates and the concern on stock markets seen over the past few months.

As at 30 September 2015, Folksam managed SEK 364,930 (339,112) million.

Our new outsourcing agreement with Newsec came into force on 1 October. With this, Folksam has outsourced its entire property management business and started working at the new Asset Management organisation. To date, one major property acquisition has taken place in line with the specified goal of increasing property assets by around SEK 10 billion over the next few years.

Unit-linked insurance assets fell during the third quarter. As at 30 September 2015, they amounted to SEK 105,180 million, compared with SEK 111,085 million at the end of the second quarter of 2015. That said, they increased by 13 per cent compared with the corresponding period in 2014.

Folksam's managed assets and unit-linked insurance assets, SEK billions



Folksam's managed assets, September 2015



# Folksam General (Group)

Folksam General (Group)*	Jan-Sep 2015	Jan-Sep 2014	2014
Premiums earned, SEK millions	9,310	8,680	11,630
Underwriting result, SEK millions	514	134	23
Profit before tax, SEK millions	1,061	1910	2,548
Total expenses, %	96	103	99
of which claims expenses, %	80	87	81
of which operating expenses, %	17	16	18
Funding ratio, %	139	124	134
Funding ratio, %, Parent Company	151	153	153
Total return, %	2.1	6.2	8.6

\* The Folksam General group includes the insurance companies Tre kronor and Folksam Skadeförsäkring. Förenade Liv and Saco SalusAnsvar are not consolidated.

Premium growth in respect of non-life insurance remains good. This increase is a combination of a strong offering and greater willingness among customers to take out insurance, while at the same time development is continuing towards insurance policies with more content. Demand is stable within all insurance lines, but the most growth is being seen in the field of health and accident insurance. Our broad offering is increasing both the number of individual customers and the number of collective customers.

This growth, like the ever-increasing customer loyalty, has reinforced Folksam's position as number three on the non-life insurance market. Figures from the industry organisation Insurance Sweden show that Folksam holds a market share of 16.5 per cent after the second quarter of the year.

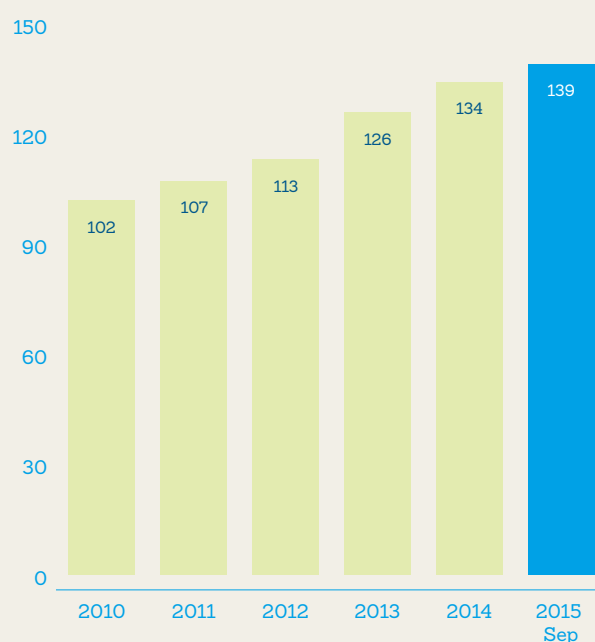
The premiums earned for the period January to September 2015 under Folksam General amounted to SEK 9,310 (8,680) million, which is an increase of 7 per cent compared to the corresponding period in 2014.

The total cost ratio in the Group amounted to 96 (103) per cent. This is an increase of seven percentage points compared with the same period last year. The improvement in the claims expense percentage from 87 to 80 is due to a positive liquidation result in combination with the fact that climbing market interest rates from January to September 2015 have meant that the provisions for personal injury and annuities that were made in the corresponding period in 2014 (due to decreasing market interest rates) have not been needed now. The operating expense percentage has increased by one percentage point due to the continued high rate of development in the streamlining and modernisation of the group. The work with streamlining claims management and initiatives relating to accessibility and customer service in digital channels in particular impacted on costs during the first nine months of the year.

Profit before tax amounted to SEK 1,061 (1,910) million, a decrease attributable to a lower return on capital compared with the same period in the previous year. The reduced return on capital contributed to a decline in earnings for the period and thereby counteracted the improved technical result of SEK 514 (134) million. The funding ratio improved compared to the previous year and amounted to 139 (124) per cent within the group and 151 (153) per cent within the parent company.

The total return amounted to 2.1 per cent.

## Funding ratio, %



# Folksam Life (Parent Company)

Folksam Life (Parent Company)	Jan-Sep 2015	Jan-Sep 2014	2014
Premium income, SEK millions	11,052	8,836	13,437
Solvency ratio, %	157	157	155
Managed assets, SEK millions	162,856	148,661	156,156
Bonus interest Life1, % <sup>1</sup>	8.9	6.3	6.5
Collective funding Life1, %	117	124	124
Bonus interest Life2, % <sup>1,2</sup>	9.0	6.3	6.5
Collective funding Life2, % <sup>2</sup>	121	124	126
Total return, %	2.0	8.0	12.0

<sup>1</sup> Folksam Life applies different bonus interest rates for old (10%) and new (4%) capital as of 01/06/2015 (Life 2) and 01/07/2015 (Life 1). The bonus interest rates listed in the table refer to the year's average for old capital.

<sup>2</sup> Cooperative occupational pension

The changes we have made to traditional life insurance with a view to safeguarding good returns for customers which are stable in the long-term have taken effect as of July. We are seeing a clear slowdown in single premiums, while at the same time growth in continuous deposits remains good.

After a number of changes to traditional life insurance, we have been applying different bonus interest rates for all the new capital since 1 July. The bonus interest rate currently amounts to 4 per cent for new capital and 10 per cent for old capital. We have also been calculating the guarantee level on 85 per cent of new premium payments since the end of June, compared with the previous 95 per cent used for calculating premiums deposited before 1 July. We have also increased the premium ceiling again, from SEK 100,000 to SEK 2 million per insurance holder and year.

Our individual occupational pension initiative is bearing fruit, with ever-increasing premium payments.

The total premium income for Folksam Life amounted to SEK 11,052 (8,836) million. This is 25 per cent higher than in the corresponding period in 2014. Total returns for the period amounted to 2.0 (8.0) per cent.

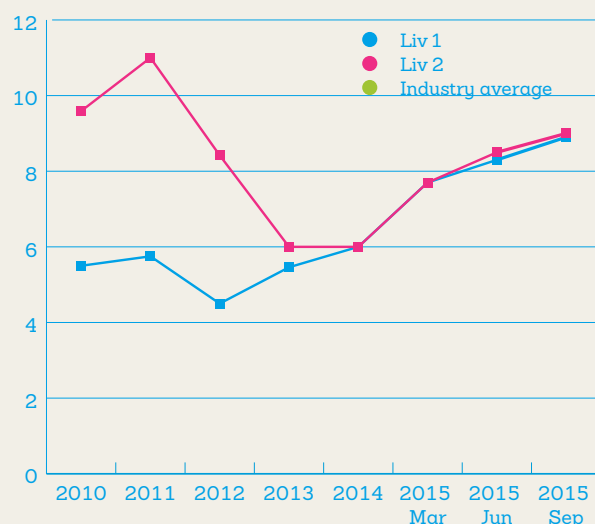
The positive cash flow within traditional insurances has increased the life insurance allocations during the period, but higher interest rates have counteracted the increase to a certain extent.

Folksam Life has continued working on a number of projects, such as the investment into individual occupational pensions, regulatory adaptation as well as streamlining IT systems and various processes. The altered deduction rights concerning private pension savings have also led to a last-ditch effort to reach out to the minority of customers who have not yet stopped their private pension savings before deduction rights disappear entirely at the end of 2015. Of the customers who have terminated

the private pension savings, a large percentage have redirected their savings to endowment policies.

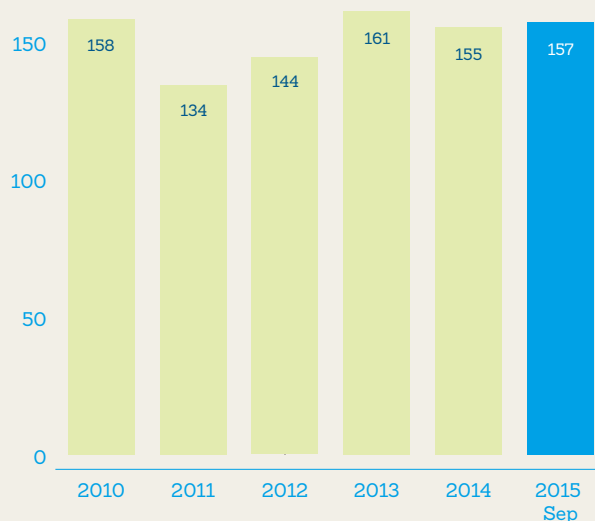
The solvency ratio remained unchanged at 157 (157) per cent as at 30 September 2015. As at 30 September, the collective funding ratio for defined contribution cooperative occupational pension (Liv 2) amounted to 121 (124) per cent, and to 117 (124) per cent for other business at Folksam Life.

Average bonus interest, %



Solvency ratio, %

200





# KPA Pension

KPA Pension*	Jan-Sep 2015	Jan-Sep 2014	2014
Premium income, SEK millions	10,744	9,275	10,172
Solvency ratio, %	169	169	166
Managed assets, SEK millions	134,604	119,825	122,713
Total return, %	1.9	9.2	13.3
Rate of return, %	2.1	9.5	13.4

\* These figures relate to KPA Pensionsförsäkring AB.

During the course of the year, KPA Pension has received around 120,000 new pension savers, primarily within the agreement area KAP-KL. The premium income from redemption of pension benefits in insurances has increased. The premium income for KPA Pension amounted to SEK 10,744 (9,275) million, representing an increase of 16 per cent.

The introduced transfer rights have entailed a negative net outflow over the period, primarily to the major banks, which has been charged to the indemnification payments. Further streamlining and modernisation have been conducted speedily, for KPA Pension as well as for other Folksam companies, and the costs of a number of strategic IT initiatives have impacted upon the period.

KPA Pension's total return amounted to 1.9 (9.2) per cent for the period, and the solvency ratio stood at 169 (169) per cent on 30 September. Bonus interest amounted to 2.1 (9.5) per cent.

KPA Pension has been awarded around 30 contracts during the year relating to pension administration for organisations such as the City of Stockholm and Östergötland County Council. KPA Pension has also one number of major insurance contracts relating to redemption of pension liabilities in places such as Kiruna, Gällivare and Osby.

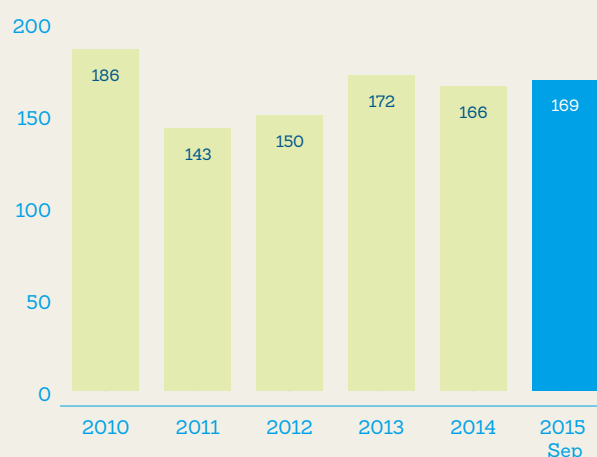
Work on launching the new consultancy service involving advisory services and analysis of financial services in order to help employers within municipalities and county councils to devise sustainable investment policies has continued and been received positively.

Stockholm County Council has selected KPA Pension as its supplier of pension administration. Stockholm County Council has been one of KPA Pension's biggest customers for many years and has more than 43,000 employees and about the same number of retired staff. This contract term is three plus three years and will come into force as of 1 January 2016.

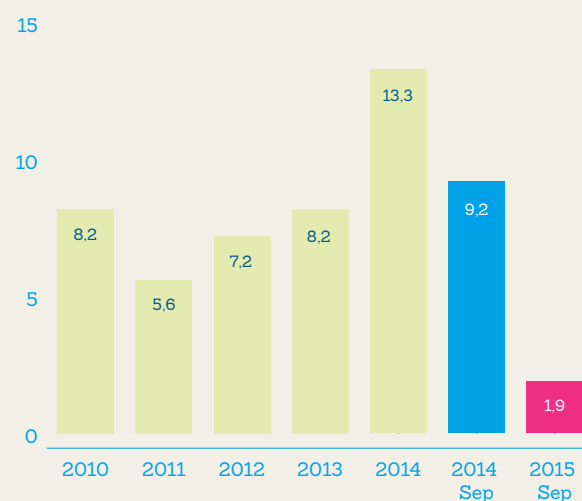
Mia Liblik has been the new Acting CEO of KPA Pension since former CEO Erik Thedéen was appointed by the government as the new Director General of the Swedish Finan-

cial Supervisory Authority on 15 October. Henrik Persson is the new Acting CEO of KPA Pensionsförsäkring.

Solvency ratio, %



Total return, %





# 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 is 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 ten insurance companies

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) 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. Folksam General's 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.



Find out more at [www.folksam.se](http://www.folksam.se)



## For further information, please contact:

- Pia Marions, CFO Folksam, +46 (0)70-831 55 64
- Juha Hartomaa, Investor Relations Manager Folksam, +46 (0) 70 831 65 26.