

# Year-end report

January – December 2015



Folksam



Folksam

# Stable results in times of change

Folksam and its subsidiaries ended 2015 with yet another strong quarter in respect of both non-life insurance and life insurance. At the same time, the period was characterised by preparations for 2016 onwards. I am very pleased that we finally are operating according to the new Solvency II regulations, an initiative that has required extensive effort. We still need to fine-tune the working methods, but essentially this change means that we are now a more modern financial company compared with the situation before the start of the year.

Although Folksam is still financially strong, we face a number of challenges. The uncertainty in the world economy and China places a question mark over things. We saw lately the stock market turbulence in early 2016 that began in China and quickly spread. And low interest rates are continuing to make their presence felt. Folksam, like all industry stakeholders, therefore have to be satisfied with lower levels of return compared with the last few years.

Sales in respect of both non-life insurance and life insurance are growing according to plan, but they are also driving costs. This is also true of our many development projects. This is why we are now focusing more extensively on ensuring that we can recover the effects of the various initiatives.

We have many things to look forward to in 2016. We are making major progress with regard to our digital presence, and we are launching a new [folksam.se](http://folksam.se). The web is key to our strategy, which involves meeting customers in the places where they want to be met. We were also able to describe our partnership with TeliaSonera last autumn, which will make it possible to connect a newly developed WiFi solution into vehicles and help drivers to "Drive Safely". This will give our car insurance customers feedback on how safely they drive and allow us to reward them by means of discounts on their car insurance, for instance. This is a solution that has it all: it reduces the number of accidents and saves lives while also helping to benefit both customers and the environment.

When we sum up 2015, customers will again share in our bonus interest programme. We will be issuing around SEK 545 million to around 2.5 million customers for the financial year.



We are now, with undiminished vigour, continuing our efforts to become the pension savings and insurance company for the many, with the best offers available in the industry. Our aim – to have the happiest customers in the industry – still stands.

Pleasingly, we are most definitely on the right path. And heading in the right direction.

**Jens Henriksson**  
CEO and Group President

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 each results table.

In this year-end report, we will be reporting on the Group Folksam General, the parent company Folksam Life, and KPA Pension.

# Significant events during the period

## Fourth quarter

- 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.
- Folksam Life gathers together all occupational pension operations and so distributes additional surplus to the portfolio involving defined contribution, traditional occupational pension within cooperative occupational pension. Around 315,000 customers will share around SEK 800 million in extra bonus interest.
- Folksam Life is reducing its bonus interest rate on traditional life insurance from 1 December 2015 – on capital deposited before 1 July 2015 – from 10.0 per cent to 8.0 per cent before tax and fees.
- Folksam's new management agreement with Newsec comes into force on 1 October. As a result, all property management is outsourced.
- Via KPA Pension, Folksam is initiating a strategic partnership with Skanska Hyresbostäder concerning the acquisition of newly produced residential properties worth around SEK 1.3 billion.
- 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.
- On 19 October, Mia Liblik took over as the Acting CEO of KPA Pension when former CEO Erik Thedéen was appointed by the government as the Director General of the Swedish Financial Supervisory Authority.

# Significant events after the end of the period

- Folksam's individual child insurance takes first place in the Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) comparison of child insurance policies. This is partly because Folksam launched a more extensive child insurance policy at the end of the year, with higher remuneration levels than before. In the same way, Folksam's group child insurance took first place among group insurance policies.
- KPA Pension is adjusting the guaranteed interest rate level for defined contribution, traditional insurance from 1.5 per cent to 0.75 per cent as of 1 January 2016.
- Folksam and the Swedish Golf Federation are extending their partnership in a new, three-year contract.
- Folksam is initiating a partnership with Distriktsveterinärerna to help promote more sustainable price development for veterinary care. One element of this partnership involves compiling a list of guide prices for a number of diagnoses; and also a discount of SEK 300 is given on the basic excess when Folksam customers choose Distriktsveterinärerna.
- As of 1 February 2016, Folksam Life will be reducing its bonus interest rates on traditional life insurance from 8.0 to 6.0 per cent on "old capital", and from 4.0 to 3.0 per cent on "new capital".

# Summary: Key ratios

Folksam	2015	2014	2013
<b>Folksam Customer Index (FCI), %</b>	<b>78</b>	<b>79</b>	<b>78</b>
Premiums, SEK millions <sup>1</sup>	50,469	47,501	40,631
of which Folksam General <sup>2</sup>	13,395	12,925	12,032
of which Folksam Life <sup>2</sup>	37,074	34,576	28,599
Managed assets, SEK millions <sup>3,4</sup>	368,454	350,170	304,299
Unit-linked insurance assets, SEK millions <sup>3,5</sup>	111,144	99,525	79,221
Number of full-time employees <sup>6</sup>	3,706	3,563	3,414

<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, twelve months

## Market development

Folksam and the entire insurance and pension savings industry are active in a market that is undergoing a major transformation. The uncertainty in the world economy is contributing to this, while at the same time new regulations are making stringent demands as regards the changeover of operations. The industry has adopted new Solvency II regulations since the start of the year, and in November 2015 the Swedish Riksdag decided that companies running occupational pension operations as of 2016 can follow transition rules instead of Solvency II in anticipation of any new regulation of occupational pension companies.

Folksam is continuing its good market development. According to figures from Insurance Sweden for the third quarter of the year, we are still market leaders in the field of life insurance while also growing on the liability insurance market. We are seeing a slight decline in respect of motor insurance, but this is being offset by other insurance lines where we are increasing or retaining our shares. Growth in respect of sickness and accident insurance and pet insurance is continuing particularly vigorously. According to figures from Insurance Sweden, we saw the greatest increase of all companies in the field of non-life insurance, with premium growth of almost 9 per cent. This means that Folksam's market share has increased by 0.6 percentage points to 16.7 per cent.

We are going backwards slightly as regards life insurance, achieving a market share of 17.7 per cent for paid premiums for both old and new policies. However, this is a desirable development following on from the changes we made to traditional life insurance throughout the year in order to reduce one-off deposits aiming only to share our excellent bonus interest programme.

Low interest rates mean that returns in the industry have declined significantly.

## Folksam and its subsidiaries

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 December increased by 6 per cent to SEK 50,469 (47,501) million. Of this total volume, Folksam Life and its subsidiaries account for SEK 37,074 (34,576) million and Folksam General and its subsidiaries account for 13,395 (12,925).

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

The changes we have made to traditional life insurance, with different bonus interest rates for old and new capital, are continuing to take effect in the form of a reduction in single premiums and an increase in monthly deposits. With this, we

are ensuring that our customers will experience continued secure retirement savings. At the same time, growth can be seen in respect of occupational pensions.

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, a major milestone has been passed in that we are now working to Solvency II. However, this also drives costs, and we will be increasing our focus on this from now on.

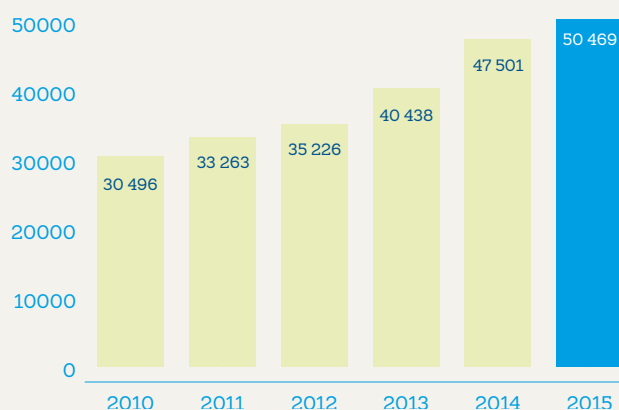
Around 315,000 customers in the portfolio involving defined contribution, traditional occupational pension within cooperative occupational pension have shared around SEK 800 million in extra bonus interest when we merged all occupational pension activities at Folksam Life as at 1 December 2015. One major reason for this is that we are preparing for potential regulation for occupational pension companies (IORP2) in 2019.

Total returns for Folksam Life for 2015 as a whole amounted to 3.7 per cent, and 3.3 per cent for KPA Pensionsförsäkring. Viewed over the last five years, between 2011 and 2015, total returns for Folksam Life amounted to 7.3 per cent and 7.5 per cent for KPA Pensionsförsäkring.

Our number of full-time employees has increased over the past few years as a consequence of Folksam's development, but these figures have now levelled off at just over 3,700.

Folksam's customer satisfaction index (FKI) at the end of 2015 registered 78 (78) per cent satisfied customers, which is comparable to the target of 79 per cent for the whole year.

Total premium volume, SEK millions



## Bonus interest

Bonus interest is the ultimate proof that we are owned by our customers, and helps to encourage our customers to like us. Given its strong financial position, Folksam General is issuing bonus interest to its customers for the fourth 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 third consecutive year.

For the 2015 financial year, a total of around 2.5 (2.4) million customers are sharing bonus interest of SEK 545 (546) million. For Folksam General, the bonus interest amounts to SEK 325 (301) million and includes pet, home and vehicle insurance as well as personal risk; and for Folksam Life, the bonus interest amounts to SEK 220 (244) million and includes group insurance policies.

## 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 overall. As at 31 December 2015, Folksam managed SEK 368,454 (350,170) million.

That said, the decline in returns is significant as a consequence of low interest rates and the concern on stock markets seen over the past few months.

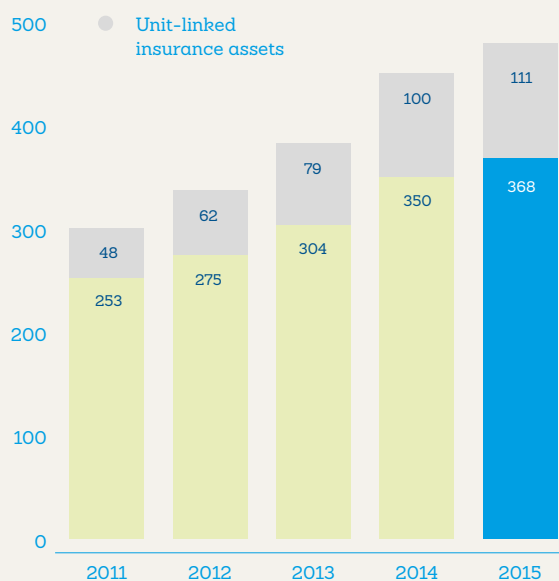
As regards the asset types in the capital portfolio, investment in property is continuing. Folksam has begun working in the new Asset Management organisation, and has placed all its property management with Newsec since 1 October.

During the quarter, Folksam reported that it had initiated – via its subsidiary KPA Pension – a strategic partnership with Skanska Hyresbostäder concerning the acquisition of newly produced residential properties. This partnership involves a number of development projects, giving Folksam exclusivity to acquire almost 600 apartments worth approximately SEK 1.3 billion. An initial contract relating to the acquisition of Hyresbostäder Sköndal KB was also concluded within the scope of this partnership. This transaction is worth SEK 398 million and includes the construction of six apartment blocks accommodating a total of 178 apartments.

Unit-linked insurance assets fell during the fourth quarter. As at 31 December 2015, they amounted to 111,144 (99,525) million, representing an increase of around 12 per cent.

During the quarter, we complemented the guided range of funds by offering customers funds from Jupiter and Neuberger Berman. This makes Folksam one of the first unit-linked insurance companies in Sweden to offer fixed-income funds from these managers.

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



Folksam's managed assets, 2015



# Folksam General (Group)

Folksam General (Group)*	2015	2014	2013
Premiums earned, SEK millions	12,225	11,630	10,974
Underwriting result, SEK millions	362	-59	191
Profit before tax, SEK millions	817	2,466	2,019
Total expenses, %	96	100	100
of which claims expenses, %	77	81	82
of which operating expenses, %	19	19	18
Funding ratio, %	132	132	125
Funding ratio, %, Parent Company	149	153	149
Total return, %	2.2	8.6	7.6

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

This premium increase with regard to non-life insurance is due mainly to 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. Both the number of individual customers and the number of collective customers is increasing.

The premiums earned for the period amounted to SEK 12,225 (11,630) million, which is 5 per cent higher than in 2014.

The total cost ratio in the Group amounted to 96 (100) per cent. This represents an improvement of 4 percentage points compared with 2014. The improvement in claims expenses from 81 to 77 per cent is explained by a higher positive result from claim settlement, combined with the fact that rising market interest rates in 2015 meant that corresponding provisions for the injury annuity reserve made in 2014 (as a consequence of falling market interest rates) were not needed. The operating expense percentage has increased by one percentage point on account of the continued high rate of development in the streamlining and modernisation of the group. These cost increases are counteracted in the group by lower costs for pensions and increased activations of development projects.

Profit before tax amounted to SEK 817 (2,466) million, due to a lower return on capital compared with the same period in the previous year.

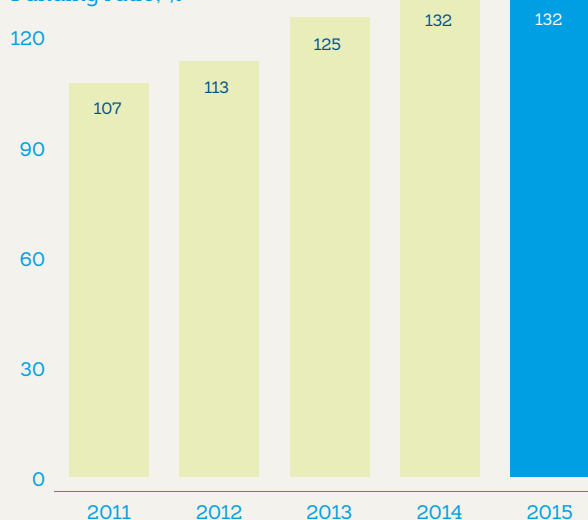
The reduced return on capital contributed to a decline in earnings and thereby counteracted the improved technical result of SEK 362 (-59) million. The funding ratio improved compared to the previous year and amounted to 132 (132) per cent within the group and 149 (153) per cent within the parent company.

The total return amounted to 2.2 per cent.

## Non-life insurance events

- In October, we announced that Folksam will become the new main sponsor of equestrian sports as part of a long-term partnership with the Swedish Equestrian Federation. We will be offering members home insurance, among other things, and the Federation will be able to benefit from Folksam's extensive experience of injury prevention work in the field of sports. The Swedish Equestrian Federation will be one of our five priority sports partners – and the 54th sports federation to work in partnership with us. This contract will initially run over a period of five years from 1 January 2016.
- After the end of the financial year, Folksam initiated a new partnership with Distriktsveterinärerna by means of a two-year contract. The aim is to remedy increased costs in the field of veterinary care and increase pricing transparency so that our customers can make active choices on the basis of their own situations and spending power. For customers, this contract means that if they choose Distriktsveterinärerna to provide care, their basic excess will be reduced by SEK 300.
- In January 2016, Konsumenternas Försäkringsbyrå (the Consumers' Insurance Bureau) published their comparison of child insurance policies – and Folksam's individual child insurance took first place. This is partly because Folksam launched a more extensive child insurance policy at the end of the year, with higher remuneration levels than before. In the same way, Folksam's group child insurance took first place among group insurance policies. As of 2016, we will also be offering our customers a new, improved Bilförsäkring Stor (Car Insurance Plus) policy. This policy shared second place in the Konsumenternas Försäkringsbyrå comparison.
- Folksam and the Swedish Golf Federation extended their partnership in a new, three-year contract in early February 2016. This contract includes continued member insurance, partnership with regard to the insurance of golf courses and an initiative involving golf for the disabled.

Funding ratio, %





# Folksam Life (Parent Company)

Folksam Life (Parent Company)	2015	2014	2013
Premium income, SEK millions	13,479	13,438	8,569
Solvency ratio, %	162	155	161
Managed assets, SEK millions	164,489	156,156	114,191
Average bonus interest Life1, % <sup>1</sup>	9.2	6.3	6.5
Average bonus interest Life2, % <sup>1</sup>	9.2	6.3	6.5
Collective funding, occupational pension activities, % <sup>2</sup>	119	-	-
Collective funding, other life insurance activities, % <sup>2</sup>	117	-	-
Total return, %	3.7	12.0	7.6

<sup>1</sup> Relates to the period up to and including 30 November 2015, when all occupational pension activities were merged. At the end of 31 December 2015, bonus interest rates for the new operational areas stood at 8 per cent for "old capital" and 4 per cent for "new capital". The average bonus interest rate in the table refers to "old capital".

<sup>2</sup> In 2014 and 2013 the collective funding was calculated based on Life1 and Life2.

The changes we have made to traditional life insurance in order to safeguard good returns for customers which are secure in the long term are continuing to take effect. Single premiums are falling, while at the same time growth in monthly deposits is continuing. We also seeing an increase in pension savings against unit-linked insurance. Costs are increasing as a consequence of the ongoing development projects, and also as a consequence of higher acquisition costs.

The solvency ratio stood at 162 (155) per cent as at 31 December 2015. The collective funding ratio for the occupational pension branch amounted to 119 per cent on 31 December, and to 117 per cent for other life insurance business.

The premium income for Folksam Life amounted to SEK 13,479 (13,437) million, which is on a par with 2014. Total returns for the period amounted to 3.7 (12.0) per cent.

The positive cash flow within traditional insurances has increased the life insurance allocations during the period, however, higher interest rates have slowed down the rate of increase to some extent.

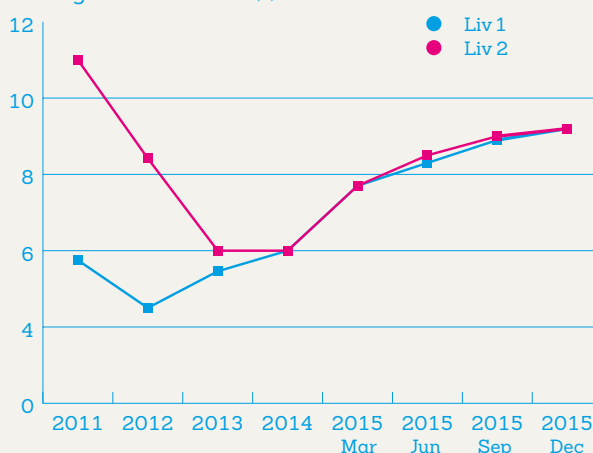
## Life insurance events

- After the more extensive changes to traditional life insurance, where we now have different bonus interest rates for old and new capital, we reduced the bonus interest rate on old capital from 10.0 to 8.0 per cent before tax and fees on 1 December. Since 1 February 2016, bonus interest rates have amounted to 6.0 per cent on old capital and 3.0 per cent on new capital.
- Since 1 December, we have also merged together all Folksam Life occupational pension activities, not least with a view to preparing for potential regulation for occupational pension companies (IORP2) in 2019. By distributing additional surplus to the portfolio involving defined contribution, traditional occupational pension within cooperative occupational pension, we are placing the

collective funding ratio between the various occupational pension portfolios on an equal footing at the time of the merger. At the same time, this change means that we are distributing additional surplus to the portfolio involving defined contribution, traditional occupational pension within cooperative occupational pension. Around 315,000 customers will therefore share around SEK 800 million in extra bonus interest.

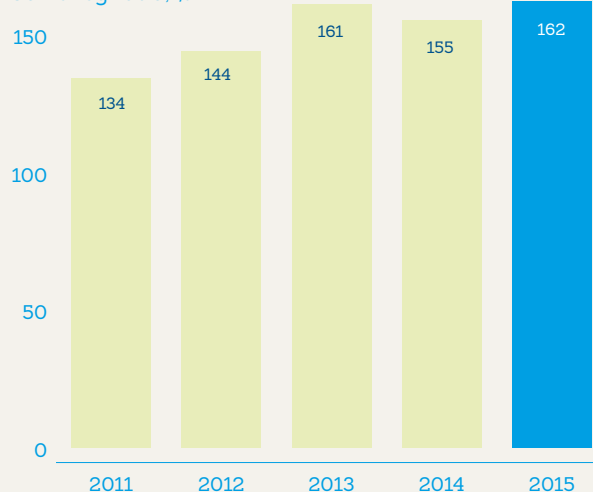
- The individual occupational pension initiative is continuing to bear fruit, with ever-increasing premium payments. Besides this work, regulatory adaptation and the streamlining of IT systems and various processes have continued to take priority.
- Before the deduction option for private pension savings was discontinued entirely from the start of 2016, we have made a final effort to persuade the last remaining customers to stop their pension savings. All customers have been contacted around six or seven times, and around 85 percentage customers have terminated their saving. A large proportion of these have redirected their savings to endowment policies at the same time.

Average bonus interest, %<sup>2</sup>



<sup>2</sup> The average bonus interest is applicable up to and including 30 November 2015, when all occupational pension activities were merged.

Solvency ratio, %



# KPA Pension

KPA Pension*	2015	2014	2013
Premium income, SEK millions	11,726	10,172	9,889
Solvency ratio, %	164	166	172
Managed assets, SEK millions	132,283	122,713	101,357
Total return, %	3.3	13.3	8.2
Rate of return, %	3.7	13.4	8.0

\* These figures relate to KPA Pensionsförsäkring AB.

The premium income for KPA Pension amounted to SEK 11,726 (10,172) million, representing an increase of over 15 per cent. KPA Pension is increasing on the cross-selection market and received around 120,000 new pension savers in 2015, primarily within the agreement area KAP-KL. The premium income from redemption of pension benefits in insurance has also increased.

KPA Pension's solvency ratio stood at 164 (166) per cent as at 31 December. As part of our actuarial review, we made a fairly major actuarial provision during the period which affects the company's solvency ratio. The reason for this is that we have reviewed our assumptions over the past year, while at the same time noting that a growing percentage of customers now take their pensions temporarily instead of for life. Total returns amounted to 3.3 (13.3) per cent for the period, and the rate of return amounted to 3.7 (13.4) per cent.

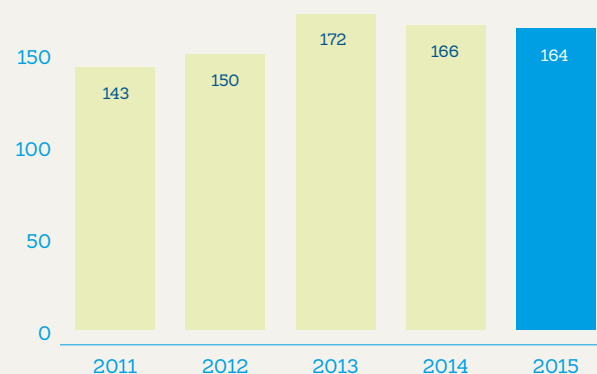
The transfer rights introduced during the period have resulted in increased claims incurred compared with previously. More than SEK 1 billion has "been relocated", but the company's total net cash flow is still very positive. Further streamlining and modernisation have been conducted speedily, for KPA 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 events

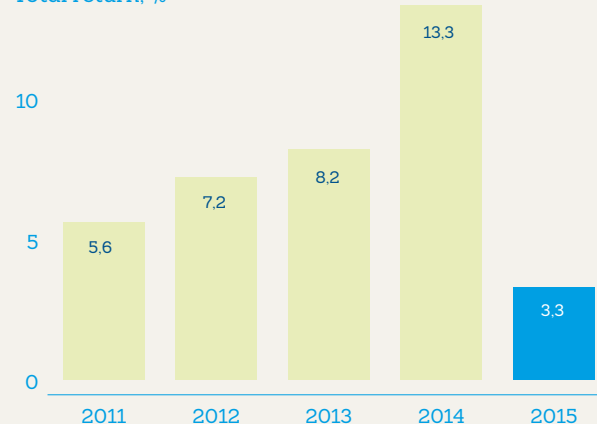
- KPA Pension is adjusting the guaranteed interest rate level for defined contribution, traditional insurance to the prevailing interest rate by means of a reduction from 1.5 per cent to 0.75 per cent as of 1 January 2016. Premiums paid before 1 January will not be affected.
- KPA Pension has been awarded around 40 contracts during the year related to pension administration, the major contract relating to Stockholm County Council. 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.
- KPA Pension has also won a number of major insurance contracts relating to redemption of pension rights in municipalities such as Flen, Kiruna, Gällivare, Osby and Trosa.

- According to the last survey carried out by Svenskt Kvalitetsindex (SKI – Swedish Quality Index), KPA Pension has Sweden's most satisfied corporate customers in the field of occupational pensions.
- Mia Liblik has been the Acting CEO of KPA Pension since former CEO Erik Thedéen was appointed by the government as the Director General of the Swedish Financial Supervisory Authority on 15 October. Mia Liblik has been working for KPA Pension since 2008, most recently as CEO of KPA Livförsäkring and Head of Market Development at KPA Pension. Henrik Persson is the 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 Finnish 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)



Our customers should  
feel secure in a  
sustainable world

## 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.