

# Interim Report

January – September 2018



The Folksam Group

A yellow cloud-like icon containing the year 2018.

Large blue and green abstract shapes in the background, resembling stylized clouds or waves.

# Overview: The Folksam Group

Folksam overall	Jan – Sept 2018	Jan – Sept 2017	2017	2016
<b>Folksam Customer Index (FCI), %</b>	<b>74<sup>7</sup></b>	<b>79</b>	<b>78</b>	<b>79</b>
Premiums, SEK million <sup>1</sup>	44,007	41,357	49,939	47,023
Managed assets, SEK million <sup>2,3,4</sup>	422,312	392,692	394,125	375,794
Unit-linked insurance assets, SEK million <sup>3,4,5</sup>	155,694	137,347	139,632	124,042
Number of full-time positions <sup>6</sup>	3,736	3,722	3,716	3,731

- <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 in all ten insurance companies.
- <sup>2</sup> Konsumentkooperationens Pensionsstiftelse is not included.
- <sup>3</sup> At 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 the policyholders bear the risk.

<sup>6</sup> Based on paid time during the period.

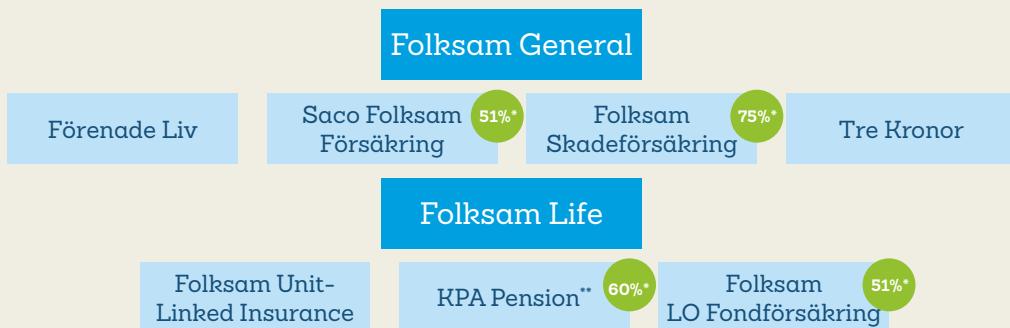
<sup>7</sup> New measurement method that gives a lower numerical value. Outcome for the period January to September 2018 is equivalent to the outcome for the full year 2017. The new FCI measurement does not include partners and companies, but rather only private and individual markets.

## Significant events

- Folksam launched the new product Private Pension. It is a traditional insurance mainly targeted at the more than one million of Folksam's customers aged 25 to 55 who currently have no savings.
- In an exclusive procedure, the Folksam Group made acquisitions of bonds issued by the World Bank (IBRD) at a value of USD 350 million or nearly SEK 2.8 billion.
- For the seventh consecutive year, KPA Pension tops the list of the pension industry's most sustainable brands and Folksam ranks second in the insurance industry in the large survey by the Sustainable Brand Index.
- As of 29 March 2018, KPA Pensionsförsäkring adapted the guaranteed interest rate level for defined-contribution, traditional insurance from 0.75 per cent to 0.50 per cent before taxes and fees. The guarantee is calculated on 85 per cent of the amount paid in.

- The Folksam Group bought green bonds issued by the European Investment Bank at a value of over SEK 3 billion (USD 400 million). This will be the Folksam Group's biggest single acquisition.
- The Swedish Financial Supervisory Authority approved the transfer of Förenade Livs' insurance portfolio to Folksam General and Folksam Life. The transfer was conducted on 1 June.
- On 2 October, Folksam General signed an agreement to sell its 75 per cent participating interest in Folksam Skadeförsäkring with operations in Finland. The equities will be sold to the Fennia insurance company. The transaction is conditional on the approval of the Finnish authorities.
- Folksam LO Fondförsäkring surpassed SEK 100 billion in unit linked assets.

## Four brands, two Groups and ten insurance companies



\* Refers to the Folksam Group's participating interest.

\*\* The KPA Pension brand comprises the parent company KPA AB, the insurance companies KPA Livförsäkring AB (publ) (KPA Livförsäkring) and KPA Pensionsförsäkring AB (publ) (KPA Pensionsförsäkring), as well as KPA Pensionsservice AB.

In this interim overview, we present reports on Folksam as a whole, the Folksam General Group and Folksam Life Group. Group refers to all insurance companies within Folksam Life and Folksam General, meaning both those consolidated and those not consolidated. The exception to this in the KPI tables for the Folksam Life Group and Folksam General Group is the solvency factor that relates to the respective legal group. We concentrate on the profit/loss for the parent companies Folksam General and Folksam Life and the subsidiary KPA Pensionsförsäkring. We also present a number of central KPIs for the other subsidiaries and associated companies in the Folksam Group.

# Optimisation with the customer in focus

Our focus on developing the Folksam Group's business continues. Not least on how we meet our customers, but also on efficiency improvements. Work with regulations is switched from implementation to optimisation.

Folksam has been on a fantastic journey these the past few years. We have truly modernised and consolidated. Now, we are entering a phase where our focus on efficiency improvements and optimisation is being reinforced. Focus business. Focus expenses. Everything to achieve our vision. That our customers should feel secure in a sustainable world.

The total premium volume in the first three quarters of the year amounted to SEK 44,007 million (41,357), an increase of 6 per cent. The primary growth continues to come from collectively agreed occupational pensions, and above all, the subsidiary KPA Pension. Within the non-life insurance business, the premiums earned were in line with last year. Our company's total return ratio was good, particularly because of higher returns from the equity portfolios.

We are continuing to invest in green bonds. It is an important part of the Folksam Group's sustainability efforts. In October, we reached our goal of a minimum of SEK 25 billion in investments, thus consolidating our position as a global leader. This means that green bonds comprise 6 per cent of our total managed assets. Since we set our goal, the market for green bonds and what is often referred to as sustainable bonds has seen massive growth, and we are pleased to say that we contributed. We are in this market to stay, and we feel very excited and enthusiastic about what is to come.

The world economy continues with stable growth; but, there are signs that the growth is plateauing and that we are heading towards a slow-down. The IMF international monetary fund's GDP forecast, of nearly 4 per cent growth in both 2018 and 2019, was recently adjusted somewhat downward. The world continues to face many difficult political challenges. Increasing trade barriers are now a reality.

Strong efficiency in the organization will eventually lead to lower premiums and better terms and conditions for our customers and owners. In April, the new organization was launched with two clear business areas, Life (LIV) and Non-life (SAK), which facilitate the efficiency work through a clear division of responsibilities. Although quite a bit is happening continuously, we have shifted into a higher gear, after the summer. Work with regulations has been switched from implementation to optimisation, from reactive to proactive. An important part of this is that we, as much as possible, will be replacing consultants with internal resources and now seriously shifting gears.



Moreover, we have a clear focus on increasing business volume. We want to strengthen the trend of having increasing numbers of customers seeking us out because we offer what they need – security. The launching of the Private Pension product, at the beginning of the year, was a part of this. It is a traditional insurance mainly targeted at our more than one million customers aged 25 to 55 who currently have no savings.

In July, the memorandum on occupational pension regulations was distributed. The proposal means that insurance companies that conduct occupational pension operations can choose to leave insurance regulation and convert to occupational pension companies. As the main part of the operations of Folksam Life and its subsidiaries is in the occupational pension sector, the choice of corporate form will be of major strategic significance for Folksam. We are continuing to analyse the proposal and follow regulatory developments, in order to make a wise decision on future directions.

We have much left to do in developing the Folksam Group. It's basically about increasing security for our customers. We are pleased by the fact that they are satisfied with us and increasingly stay with us, while at the same time, we have a clear target of what we want to achieve in the long-term.

**Jens Henriksson**  
President and CEO

# Market overview and the Folksam Group

## Market development

Folksam is retaining its position in the market. According to premium figures from the Swedish Insurance Federation, we are still the market leader in life insurance and third in the non-life insurance market, after the end of the second quarter.

The total competitive life insurance market increased in the third quarter of the twelve-month period of 2017 and the second quarter of 2018 by 8 per cent to SEK 225 billion. Private endowment insurance (which accounts for a third of paid-in life insurance company premiums) increased by 9 per cent (SEK 6 billion). Even occupational pension insurance had a major increase, having increased by 4 per cent (SEK 4 billion). Private pension insurance continues to decrease.

Folksam is maintaining its leading position in total premiums in life insurance even if the market share is somewhat lower and amounts to 13.9 (14.8) per cent (paid-in premiums for both old and new insurance policies). The market share in new policies decreased somewhat to 11.8 (12.8) per cent, but Folksam remains third after Skandia and Alecta.

The total non-life insurance market grew by 5 per cent or SEK 83 billion, compared with the previous year. With a market share of 16 per cent, Folksam is still the third largest player, which is in line with last year.

The Folksam Group's total premium volume for the first three quarters of 2018 amounted to SEK 44,007 million (41,357). The growth comes primarily from the collective occupational pension business. The Folksam Life Group accounted for SEK 33,167 million (30,432) and the Folksam General Group for SEK 10,840 million (10,925) of the premium volume.

Total premium volume, SEK million



## Macroeconomics

The global economic upswing continues, although there are signs that growth is heading towards a slight slowdown. The international monetary fund, IMF, expects global growth to reach 3.7 per cent, both this year and in 2019, which is a slight downward adjustment from the previous forecast of April. Increased trade barriers between the U.S. and China are an important reason.

According to the IMF, a future slow-down is expected, especially in the U.S., when the effects of the country's tax reform subside. Ageing populations, weak product growth, protectionism and less integration of the world economy are other risks.

However, Sweden is showing continued indications of a strong economic growth, with both high growth and falling unemployment. The IMF's forecast for the Swedish economy is a growth of 2.4 per cent this year and 2.0 per cent in 2019. Inflation remains at about 2.0 per cent and an interest rate increase by the Swedish Central Bank looms ever closer. For the insurance industry, the low interest rate is still a challenge from a return perspective, even if the players have handled the situation well to-date.

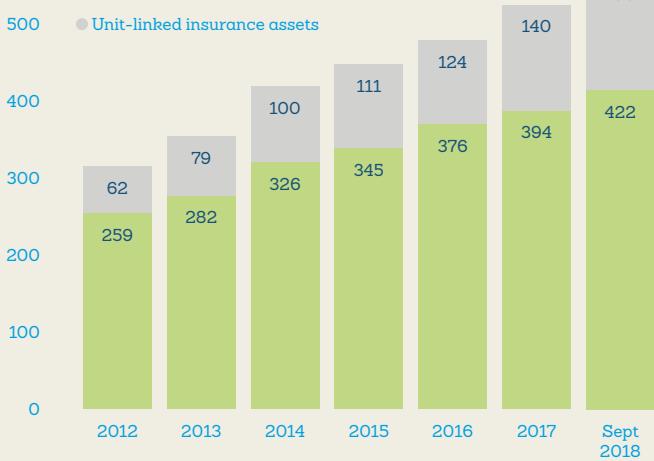
## Managed assets and unit-linked insurance assets

At 30 September 2018, the Folksam Group managed SEK 422,312 million (392,692). At 30 September 2018, the unit-linked insurance assets amounted to SEK 155,694 million (137,347). The increase of the unit-linked insurance assets is due to good value growth and a strong positive premium inflow.

Folksam Group's managed assets, 30 September 2018



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



The various companies of the Folksam Group showed a slightly higher return in the first three quarters of 2018, compared with the same period in the previous year. Folksam Life's rate of return was 5.4 per cent and KPA Pensionsförsäkring's rate of return was 4.6 per cent. It is primarily equities that have higher returns. However, special investments showed good returns; but, accounted for a relatively small part of the asset portfolios. Some special events in asset management operations:

- In an exclusive procedure, the Folksam Group made acquisitions of bonds issued by the World Bank (IBRD) at a value of USD 350 million or nearly SEK 2.8 billion. Through this third acquisition of the same size, with a World Bank body as the borrower, the Folksam Group wants to direct focus at five of the UN's 17 Global Sustainable Development Goals.
- KPA Pensionsförsäkring exclusively invested SEK 200 million in Vellinge Municipality's first green bond. The bond will finance the zero-energy building called "Omtankens hus" [House of Consideration] in Höllviken – the municipality's new nursing home and meeting place for the elderly.
- The Folksam Group bought green bonds issued by the European Investment Bank at a value of over SEK 3 billion (USD 400 million). This will be the Folksam Group's biggest single acquisition. The investments are distributed in the Folksam Group as follows: Folksam Life USD 182 million, Folksam General USD 52 million and KPA Pension USD 166 million. With this, the Folksam Group will have invested around SEK 20 billion in green bonds over two years' time. The goal is to increase these investments to SEK 25 billion, before the end of 2018.
- KPA Pension and Folksam, together, are investing SEK 2 billion in a bond contributing to the creation of a sustainable Stockholm. With this investment, Folksam Group intends to highlight the significance of planning and building cities and communities that are inclusive, safe, resilient and sustainable. At the same time, the deal contributes to the goal of giving customers a good risk-adjusted return.
- With an investment of SEK 600 million in a green bond issued by the World Bank, the Folksam Group has now attained the goal of owning more than SEK 25 billion in green bonds before the end of 2018. This is an important step in the Folksam Group's sustainability efforts, and it consolidates the group's position as a global leader within green bonds. These bonds now comprise 6 per cent of the managed assets.

## Regulations

New and future regulations are placing major demands for the reorganization of companies in insurance and pension savings.

### **The EU General Data Protection Regulation (GDPR)**

The EU's General Data Protection Regulation (GDPR) replaced the Swedish Personal Data Act (PUL) on 25 May 2018. The GDPR increases the focus on each individual's rights and ownership of their personal data. The Folksam Group has revised its operational processing of personal data.

### **New Insurance Distribution Directive (IDD)**

The Insurance Distribution Directive (IDD) entered into force on 1 October 2018. The directive contains reforms that increase customer protection and create more uniform competitive conditions in the market. In some areas, the Swedish regulations go a step further than the EU's minimum regulations. Business models, policies, agreements, document and informational materials, training as well as compensation to employees are affected. The Folksam Group welcomes the law's strengthening of consumer protection. The additional provisions in the directive, regarding distribution of occupational pension policies that are exposed to the market's volatility, enter into effect on 1 October 2019.

### **Written confirmation requirement in telephone sales**

In June 2018, the Swedish Parliament decided to strengthen consumer protection regarding telephone sales. The decision means that a consumer, who is called by a salesperson after 1 September, must give written consent for a contract to be binding. Written consent can be given by mail, email or SMS.

### **Occupational pension regulation (IORP2)**

Insurance business legislation (Solvency II) has applied since 2016, at the same time as companies that conduct occupational pension operations can instead follow transitional rules. In July 2018, a ministry letter was received from the Ministry of Finance on a new occupational pension regulation. The proposal means that insurance companies that conduct occupational pension operations can choose to leave the Solvency II insurance regulation and convert to occupational pension companies. As the main part of the operations of Folksam Life and its subsidiaries is in the occupational pension sector, the choice of corporate form is of major strategic significance. The Folksam Group analysed the proposal and carefully followed the developments of the occupational pension regulation in order to decide on future directions.



## Digitalisation

Digitalisation and automation are affecting insurance and pension savings in many ways. On one hand, new risks and changed ways of communicating with customers are arising, and on the other, new insurance needs, business models and competitors are being created. The Internet of Things and self-driving cars, a sharing economy and automated claims handling and robot advice are concrete examples of the consequences of digitalisation and automation.

For Folksam, 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 us an even more modern and effective enterprise. But they are also driving costs. We, therefore, prioritise among the projects to ensure that the projects we have under way provide the intended benefit. Robotics and FutureLab are two departments in the Folksam Group that aim to prepare the operations for future technical leaps.

## Sustainability

Based on the Folksam Group's overall sustainability objectives, we have identified five of the UN's Global Sustainable Development Goals as guides in this work:

- Good health and well-being (Goal 3)
- Gender equality (Goal 5)
- Decent working conditions (Goal 8)
- Responsible consumption and production (Goal 12)
- Climate action (Goal 13).

The work on responsible capital management is linked to all 17 of the global goals, with focus on lifting up, to the furthest possible extent, the five goals the Folksam Group has prioritised.

Within the scope of the corporate network of the Haga Initiative, Folksam has also committed to be fossil-free by 2030. We have invested extensively in green bonds, and today, have surpassed SEK 25 billion in investments, in line with our goal.

Folksam General with subsidiaries reports in accordance with Solvency II. Folksam Life with subsidiaries has pure Solvency II companies (KPA Livförsäkring), companies with mixed operations (Folksam Fondförsäkring and Folksam Life) and pure occupational pension companies (Folksam LO fondförsäkring and KPA Pensionsförsäkring) that follow the Solvency I regulations. The companies' capital requirements under Solvency II are determined according to the standard model, which is adapted to an average, European insurance company. All companies meet the solvency and minimum capital requirements. Calculations of the solvency factor for Folksam General (Group) and Folksam Life (parent company) are presented with a one-quarter delay.

# Folksam General

Folksam General

Förenade Liv

Saco Folksam  
Försäkring

51%

Folksam  
Skadeförsäkring

75%

Tre Kronor

Folksam General Group	Jan – Sept 2018	Jan – Sept 2017	2017	2016
Premiums earned, SEK million	10,840	10,925	14,651	14,269
Assets under management, at period-end, SEK million	47,112	46,250	46,658	46,106
Solvency factor <sup>1)</sup> (SCR), at period-end	2.2	2.0	2.0	2.0

The premiums earned in the Folksam General Group decreased to SEK 10,840 million (10,925). The decrease is explained by the Unionen and Vision unions having chosen to not renew their insurance in Förenade Liv/Folksam. Assets under management increased by 2 per cent to SEK 47,112 million (46,250). The solvency factor according to the Solvency II directive was 2.2 (2.0).

Folksam General (parent company)	Jan – Sept 2018	Jan – Sept 2017	2017	2016
Premiums earned, SEK million	9,184	8,678	11,671	11,298
Underwriting result, SEK million	219	203	108	-250
Profit/loss before appropriations and income tax, SEK million	1,529	463	913	1,746
Total expenses, %	98.6	99.1	97.9	100.8
of which claims expenses, %	80.4	85.1	82.7	84.0
of which operating expenses, %	18.2	14.0	15.2	16.8
Total return, %	4.8	1.5	3.4	6.6
Solvency capital, at period-end, SEK million	21,774	18,383	18,382	18,092
Funding ratio, at period-end, %	180	161	161	157
Solvency factor <sup>1)</sup> (SCR), at period-end	2.3	2.2	2.2	2.2

<sup>1)</sup> The solvency factor pertains to the capital base in relation to capital requirements in accordance with the Solvency II directive. The solvency factor is presented with a one-quarter delay.

The premiums earned for the period amounted to SEK 9,184 million (8,678) in the parent company, which is 6 per cent higher than for 2017. The strong offering and the greater willingness-to-pay for insurance among customers continued to drive demand and the development of insurance policies with extended coverage combined with specific premium adjustments also contributed premium growth. Portfolio transfers from Förenade Liv also contributed to the increase. The biggest premium increases occurred in the Home contents & homeowners, Disability and accident, and Motor and traffic insurances.

The total cost ratio in the parent company amounted to 98.6 (99.1), which was a decrease of 0.5 percentage points. The claims expense ratio improved to 80.4 (85.1) per cent. The improvement was driven by improved claims outcomes and partially driven by negative claims settlement outcomes from the previous year.

On the other hand, the operating expense ratio increased to 18.2 (14.0), primarily as a result of changed principles for capitalisation of expenses, which contributed to our only having a depreciation of SEK 165 million on previously capitalised depreciation expenses for the period; however, no capitalisations were done during the period. The one-time

effect of this accounting policy change was an increase of 1.8 percentage points in the operating expense ratio. A refund of pension premiums in the previous year, together with higher costs for development initiatives during the period, also contributed to an increase in the operating expense ratio.

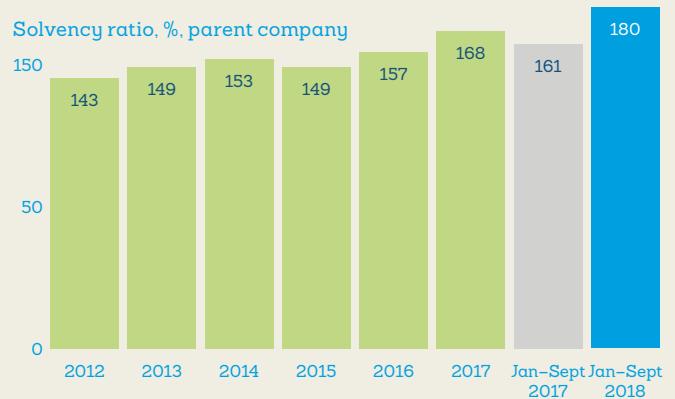
The underwriting result amounted to SEK 219 million (203), which is SEK 16 million higher than last year. The improvement in earnings is primarily due to higher earned premiums combined with improved claims outcomes. Profit before appropriations and tax amounted to SEK 1 529 million (463) for the period. Improvements can be attributed to higher returns on capital.

The total return ratio was 4.8 (1.5) per cent. This is mainly due to higher returns on equity in combination with increased returns in interest-bearing securities, but also special investments as a result of higher market appraisals of holdings. The solvency factor, which we present with a one-quarter delay, amounted to 2.3 (2.2) for the parent company.

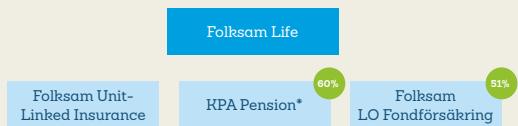
The funding ratio increased to 180 (161) per cent in the parent company.

### Events during the period (Jan-Sept):

- Folksam launched the new digital service "Find care providers abroad" to help the customers find quality-assured doctor's offices and at the same time reduce the costs for travel claims.
- The commercial business concluded the restructuring that characterised the operations in recent years and meant that the operations were concentrated to certain markets and companies.
- The principle for capitalisation of expenses in Folksam General has been changed. Direct and variable expenses are capitalised if existing conditions are right for capitalisation. Direct and variable expenses refer to advance commissions and flat fees that are paid to sales personnel, insurance intermediaries or other distributors. Because Folksam General has changed the commissions for internal and external salespersons and insurance intermediaries, no capitalisation will be done from 1 January 2018. This means that for the period of January-June 2018 operating expenses have been debited SEK 165 million in depreciations related to capitalisation from the previous year. The change is recognised as prospective, which means that no comparative figures have been restated.



# Folksam Life



Folksam Life Group	Jan – Sept 2018	Jan – Sept 2017	2017	2016
Premiums <sup>1)</sup> , SEK million	33,167	30,432	35,288	32,754
Assets under management, at period-end, SEK million	374,984	346,234	347,258	329,485
Unit-linked insurance assets, at period-end, SEK million	155,694	137,347	139,632	124,042
Solvency factor <sup>2)</sup> , at period-end	3.2	3.3	3.2	3.4

Premiums written for the Folksam Life Group amounted to SEK 33,167 million (30,432) after the third quarter of 2018. Assets under management amounted to SEK 374,984 million (346,234) and the unit-linked insurance assets amounted to SEK 155,694 million (137,347). In total, customer assets had increased by approximately 10 per cent as of 30 September 2018, compared to the year-earlier period. The solvency factor was 3.2 (3.3).

Folksam Life (parent company)	Jan – Sept 2018	Jan – Sept 2017	2017	2016
Premiums <sup>3)</sup> , SEK million	8,215	7,595	10,324	9,840
Underwriting result, SEK million	9,295	5,680	5,706	8,190
Management expense, %	0.6	0.5	0.6	0.6
Total return, %	5.4	3.4	4.2	8.4
Assets under management, at period-end, SEK million	189,801	178,629	179,413	176,267
Solvency ratio, at period-end, %	172	167	165	165
Solvency factor <sup>2)</sup> mixed companies	3.8	3.8	3.7	3.9
Collective funding ratio, occupational pension, at period-end, %	121	121	120	121
Collective funding, other life insurance activities, at period-end, %	120	119	118	120

<sup>1)</sup> Premiums comprise premiums earned in savings insurance and premiums earned in risk insurance as well as from fees from unit-linked insurance investors.

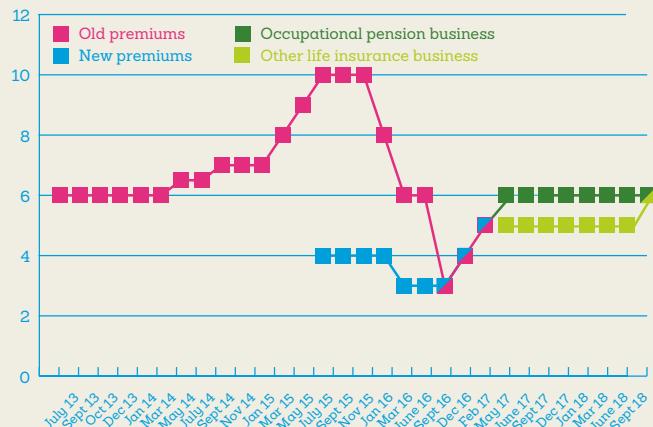
<sup>2)</sup> The solvency factor for mixed companies refers to the sum of the capital base relative to the capital requirements for other life insurance (in accordance with the Solvency II directive) and the capital base relative to the capital requirements (in accordance with the Solvency I directive) for the occupational pension operations. The solvency factor is presented with a one-quarter delay.

<sup>3)</sup> Premiums comprise premiums earned in savings insurance and premiums earned in risk insurance.

Premiums written for the parent company, Folksam Life, increased to SEK 8,215 million (7,595). The increase came mainly from savings products of individual occupational pensions, due to increased sales within brokered channels. Risk products also increased, somewhat, in premium volume. Operating expenses amounted to SEK 982 (885) million, which meant an increase of SEK 97 million or 11 per cent. The increase came from higher acquisition costs due to increased sales within brokered channels and higher development costs. The total return for the period amounted to 5.4 (3.4) per cent and contributed to the positive underwriting result. Above all, it was the higher return from equities, up to and including the third quarter, which resulted in a higher total return for the period. Seen over the past five years 2013-2017, the annual average total return for Folksam Life was 7.1 per cent. The total return for the past ten-year period, 2008-2017, was 6.9 per cent per year. The solvency ratio for the parent company increased to 172 (165) per cent as of 30 September 2018. Good value trends and a positive cash flow contributed to the improved solvency ratio. The solvency factor for mixed companies, which we present with a one-quarter delay, is stable and amounted to 3.8 for the parent company. The collective funding ratio for the defined-contribution occupational pension insurance amounted to

121 per cent on 30 September 2018 and 120 per cent for other life insurance business.

## Bonus interest

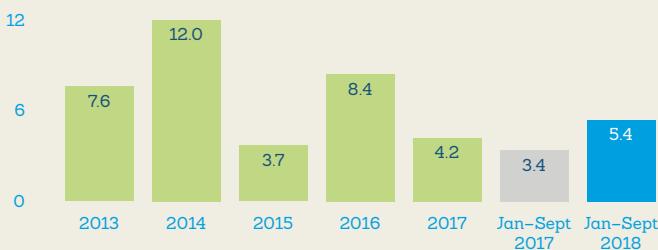


On 30 November 2015, Folksam Life combined all occupational pension business and the business lines "occupational pension business" and "other life insurance business" were formed. As of 1 April 2017, the two insurance lines have different bonus interest rates.

## Events during the period (Jan-Sept):

- Folksam launched the new product Private Pension. It is a traditional insurance mainly targeted at the more than one million of Folksam's customers aged 25 to 55.
- Folksam was one of those selected in traditional insurance in Collectum's ITP procurement, which applies to more than 900,000 privately employed white-collar workers for the period October 2018 to September 2023.
- From 1 September 2018, Folksam Life raised its bonus interest rate for other life insurance business from 5.0 to 6.0 per cent.

Total return %, parent company

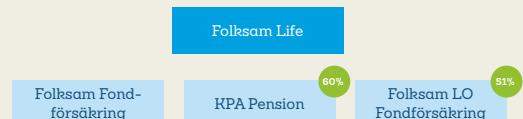


Solvency ratio %, parent company

200



# KPA Pensionsförsäkring



KPA Pensionsförsäkring AB	Jan – Sept 2018	Jan – Sept 2017	2017	2016
Premium income, SEK million	14,313	12,469	13,378	12,138
Underwriting result, SEK million	12,871	8,768	9,172	7,280
Management expense, %	0.2	0.1	0.2	0.2
Total return, %	4.6	3.7	4.6	6.6
Rate of return, %	4.7	3.8	4.8	6.7
Assets under management, at period-end, SEK million	180,409	162,760	163,060	148,379
Solvency ratio, at period-end, %	176	169	168	164
Solvency factor (S1), at period-end	17.2	16.4	16.3	15.4

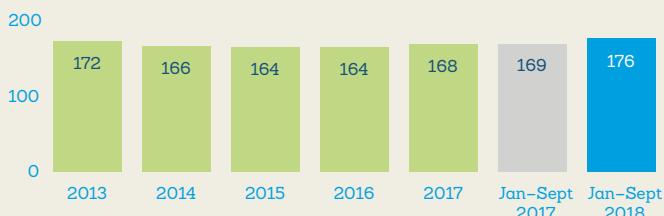
Premiums written for KPA Pensionförsäkring increased and amounted to SEK 14,313 million (12,469). The reason for the strong development is that KPA Pension as the default option in defined-contribution pensions annually automatically receives many new customers. In connection with 2018's brokering, 120,000 (115,000) new pension savers were added, who are covered by the KAP-KL and AKAP-KL pension agreements. The underwriting result was benefited by a positive cash flow and amounted to SEK 12,871 million (8,768). The administrative cost ratio in KPA Pensions-

försäkring was 0.2 (0.1). KPA Pensionsförsäkring's solvency ratio at period-end was 176 (169) per cent. The positive cash flow was the main contributor to the improved solvency ratio. The solvency factor, which we present with a one-quarter delay, amounted to 17.2 (16.4) for KPA Pensionsförsäkring. The total return amounted to 4.6 (3.7) per cent for the period and the rate of return was 4.7 (3.8) per cent. Viewed over the past ten years, 2008–2017, the annual average total return for KPA Pensionsförsäkring was 7.5 per cent.

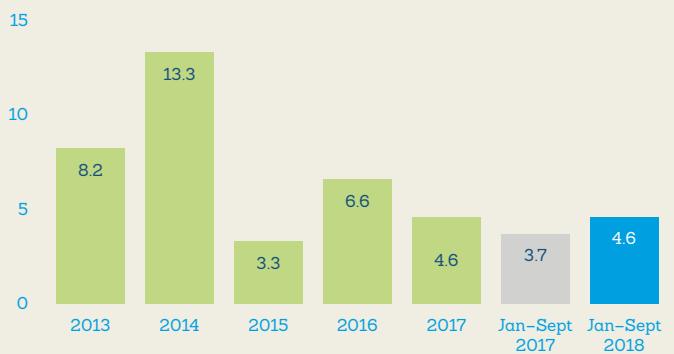
## Events during the period (Jan-Sept):

- As of 1 January 2018, KPA Pensionsförsäkring reduced the fees by 25 per cent for the defined-contribution traditional insurance for the occupational pension agreements AKAP-KL and KAP-KL for management of municipal and county council employee occupational pensions. The variable fees are reduced from 0.15 to 0.11 per cent, while the fixed fee of SEK 48 remains. Since 2001, the fees were reduced by more than 70 per cent.
- Similarly, KPA Pensionsförsäkring reduced the premium from 3 to 2 per cent as of 1 January 2018 in a product linked to the collectively agreed occupational pension, the so-called waiver of premium insurance. The premium reduction concerns 900 employers in municipalities, county councils and municipal companies.
- As of 29 March 2018, KPA Pensionsförsäkring adapted the guaranteed interest rate level for defined-contribution traditional insurance from 0.75 per cent to 0.50 per cent before taxes and fees. The guarantee is calculated on 85 per cent of the amount paid in. The change is applicable from 29 March 2018 and the premiums paid before this date are not affected.
- Arvidsjaur and Luleå in the north; to Täby, Tyresö, Motala, Vallentuna and 33 cities in Skåne are some of the municipalities that chose KPA Pension as the supplier of pension administration for the period.
- For the seventh consecutive year, KPA Pension topped the list of the pension industry's most sustainable brands.
- KPA surpassed the goal of owning over SEK 10 billion in green bonds. Sustainable investments are an important part of the company's sustainability efforts.

Solvency ratio, %



Total return, %



# Appendix: Other subsidiaries and associated companies

<b>Folksam General</b>				
<b>Tre Kronor</b>	<b>Jan – Sept 2018</b>	<b>Jan – Sept 2017</b>	<b>2017</b>	<b>2016</b>
Premiums earned, SEK million	776	745	999	962
Underwriting result, SEK million	51	52	95	56
Profit before tax, SEK million	55	50	94	66
Total expenses, %	93.5	93.1	90.5	94.1
Solvency factor (SCR), at period-end	2.2	2.1	2.2	2.0
<b>Folksam Skadeförsäkring</b>				
Premiums earned, SEK million	542	540	721	736
Underwriting result, SEK million	-24	45	-14	61
Profit before tax, SEK million	-22	49	-18	99
Total expenses, %	104.6	93.4	103.7	93.3
Solvency factor (SCR), at period-end	3.2	3.1	2.9	2.9
<b>Förenade Liv</b>				
Premiums earned, SEK million	222	832	1,086	1,110
Underwriting result, SEK million	-102	10	-24	246
Profit before tax, SEK million	-100	10	-24	246
Total expenses, %	113.7	105.1	103.9	100.8
Solvency factor (SCR), at period-end	1.1	2.0	2.1	1.8
<b>Saco Folksam Försäkring</b>				
Premiums earned, SEK million	116	130	174	163
Underwriting result, SEK million	11	8	8	18
Profit before tax, SEK million	20	13	14	25
Total expenses, %	86.1	83.5	82.1	85.8
Solvency factor (SCR), at period-end	1.6	1.5	1.5	1.4
<b>Folksam Life</b>				
<b>KPA Livförsäkring</b>				
Premium income, SEK million	294	279	279	266
Profit/loss for the period before income tax, SEK million	173	114	4	57
Management expense, %	0.5	0.5	0.7	0.6
Total return, %	3.3	2.2	3.0	4.8
Solvency factor (SCR), at period-end	3.2	3.1	3.1	3.2
<b>Folksam Unit-Linked Insurance</b>				
Premium income, SEK million	19	14	20	14
Profit/loss for the period before income tax, SEK million	73	12	45	110
Management expense, %	0.8	1.1	1.3	1.2
Unit-linked insurance assets, at period-end, SEK million	44,346	41,845	42,574	39,961
Solvency factor mixed companies	1.4	1.5	1.2	1.5
<b>Folksam LO Fondförsäkring</b>				
Premium income, SEK million	87	72	103	95
Profit/loss for the period before income tax, SEK million	180	171	241	199
Management expense, %	0.10	0.07	0.1	0.1
Unit-linked insurance assets, at period-end, SEK million	101,037	86,119	87,525	75,174
Solvency factor (\$1), at period-end	5.9	5.2	5.4	4.6

# This is the Folksam Group

Our job is to provide security in every phase of life. With us, customers can insure themselves, their loved ones and their property and save for their pension. Every time we meet a customer, we also meet an owner. And we have many owners. We insure almost half of all Swedes and take care of the pensions of more than two million people. As a result, the Folksam Group is one of the leading players when it comes to insurance and pension saving.

## Our vision

Our customers should feel secure in a sustainable world.

## Our business concept

We are our customers' company, offering 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.



[Read more at folksam.se](http://folksam.se)



Our customers should feel secure in a sustainable world

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