

A full-page photograph of a man and a woman running on a dirt path through a forest with autumn foliage. The woman is in the foreground, wearing a red jacket and black leggings. The man is slightly behind her, wearing a blue jacket and black pants. The path is covered with fallen leaves, and the trees in the background have vibrant orange and yellow leaves.

2014

ANNUAL REPORT

Länsförsäkringar
Sak Försäkrings-
aktiebolag

LÄNSFÖRSÄKRINGAR SAK

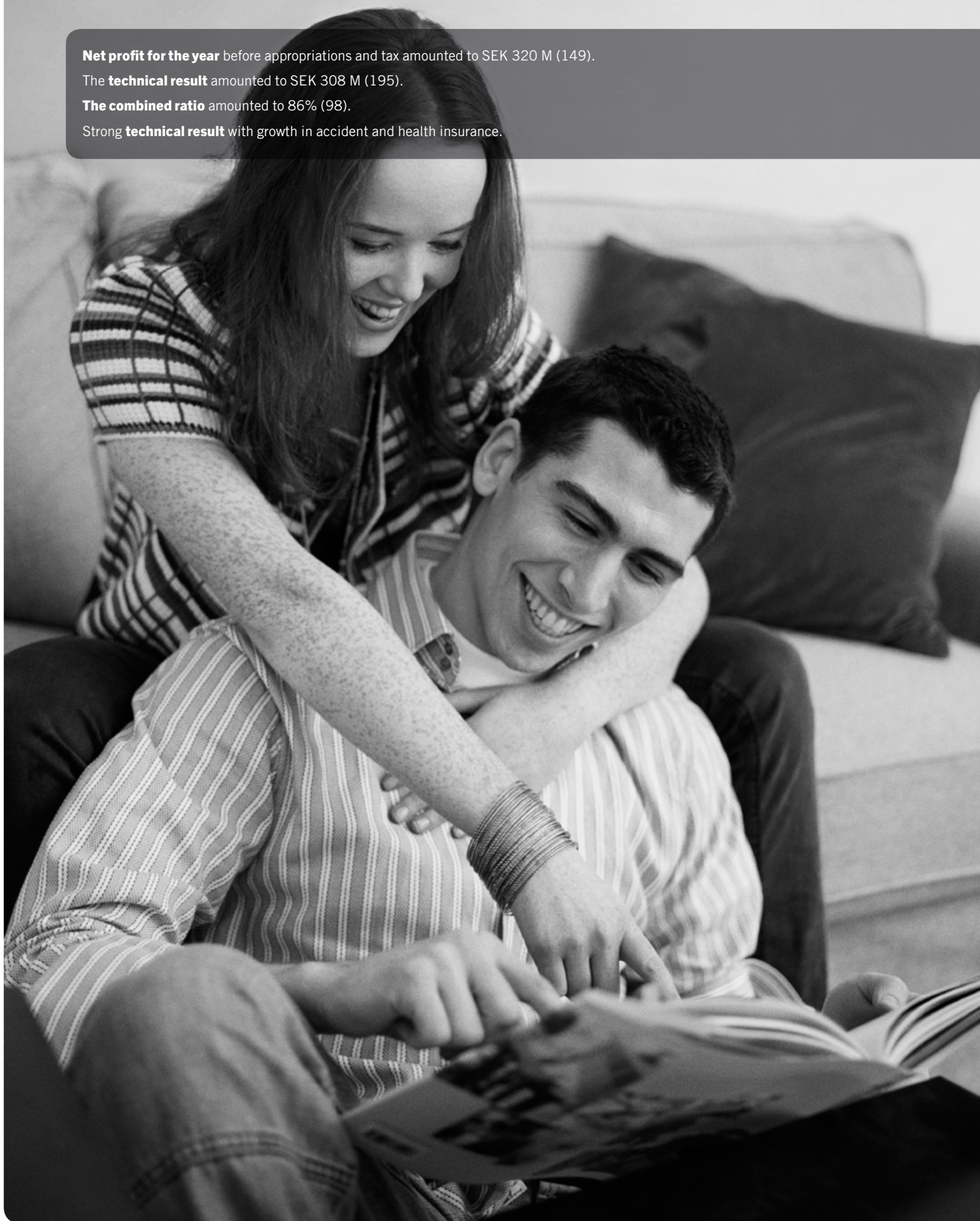
2014 IN BRIEF

Net profit for the year before appropriations and tax amounted to SEK 320 M (149).

The **technical result** amounted to SEK 308 M (195).

The combined ratio amounted to 86% (98).

Strong **technical result** with growth in accident and health insurance.



SEK **1,499**_M

Länsförsäkringar Sak

The Non-life Insurance business unit of Länsförsäkringar AB is responsible for the non-life insurance operations, including animal and crop insurance and health insurance, which are conducted by Länsförsäkringar AB as assigned by the regional insurance companies.

The Non-life Insurance business unit's task involves supplementing the companies' offering with specialist products to meet customer needs and to start new business that can be channelled through the regional insurance companies. Business is conducted so that the regional insurance companies can

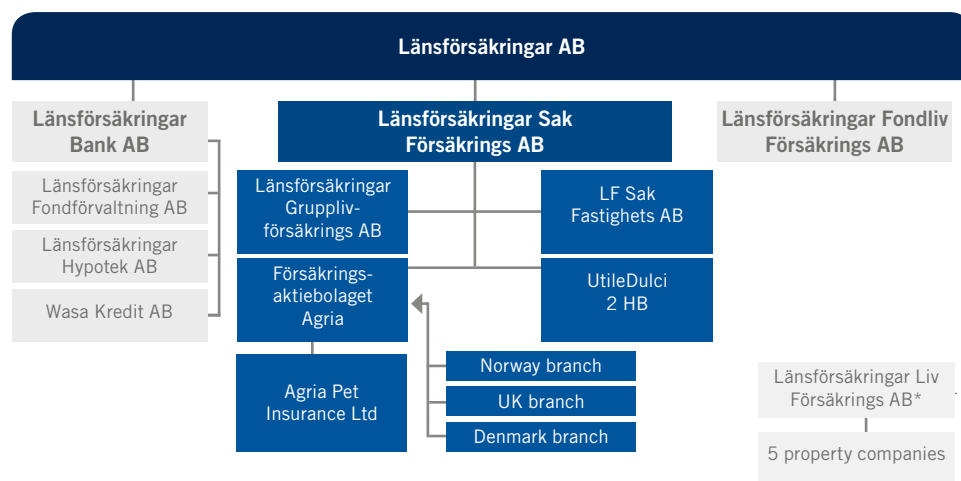
offer customers a broad range of insurance for people, animals and property and obtain sound reinsurance coverage. Länsförsäkringar Sak underwrites health care, accident and health insurance in Business Area Health and commercial special insurance and international reinsurance, and manages the Länsförsäkringar Alliance's overall reinsurance cover. Animal insurance is conducted in the subsidiary Agria Djurförsäkring and group insurance is underwritten in the subsidiary Länsförsäkringar Gruppliv as an important part of the customer offering in the expanding Business Area Health.

LÄNSFÖRSÄKRINGAR IN BRIEF

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are

owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.5 million customers and approximately 6,000 employees.



* The company is operated in accordance with mutual principles and is not consolidated.

CONTENTS

2	Statement by the President
4	Board of Directors' Report
9	Five-year summary
11	Income statement
11	Statement of comprehensive income
12	Performance analysis
13	Balance sheet
15	Statement of changes in shareholders' equity
15	Cash-flow statement
16	Notes
44	Audit report
45	Board of Directors, management and auditor
47	Definitions
48	Address



A strong, intense and exciting year – together

Statement by the President. Länsförsäkringar Sak's task is to conduct profitable business that complements and harmonises with the business of the regional insurance companies, and to develop new business so that the regional insurance companies can continue in the future to meet customer needs for protecting people, animals and property. Our vision is for everyone to live with a sense of security in a sustainable society. The operations are based on our non-life insurance strategy that defines the areas to be addressed and what we want to achieve. To achieve the targets defined by the Board of Directors and our owners, our work follows our business plan and the activities contained in it.

2014 was a strong, intense and exciting year. Operating profit for the Länsförsäkringar Sak Försäkringsaktiebolag amounted to SEK 320 M (149), and net profit for the Non-Life Insurance Company and its subsidiaries amounted to SEK 791 M (427), a net profit for the year comprising a very strong technical result for the insurance operations. Many factors contributed to this result. Agria is continuing to report very strong earnings that are exceeding targets, as is marine and cargo insurance and accident and health insurance for adults (OSV) in Länsförsäkringar Sak. Asset management also performed its task well. 2014 did not present any financial surprises since risk in the investment portfolio continued to be kept at a low level.

Opportunities from diversity

The work of our employees is invaluable. Despite intensifying competition in the

market, we succeeded in renewing and underwriting new cover for many risks in most areas. Everyone in the organisation is involved and really makes a difference to the results we deliver. Our work in recent years has followed the device of "conducting profitable business and making business profitable." This is the target aimed for regardless of role and means, for example, that underwriters, customer service staff and assistants constantly work on ensuring that we have the right pricing and terms. For claims adjusters, this involves focusing on quality and efficiency in the claims adjustment process. Involvement and expertise create profitable growth. We use the Lean work method to support our efficiency-enhancement measures, which means that processes are continuously refined. Everyone must understand how they contribute to the whole solution – opportunities from differences.

Development and service

Business Area Health launched a new insurance product called "Bo Kvar" in the spring of 2014. This insurance policy is sold to customers who take out mortgages with Länsförsäkringar and contains cover in the event of death, illness or unemployment. This type of protection has been in demand from customers and it is gratifying that we can combine our mortgages with a very good insurance product so that home owners can feel secure. An independent claims assessment board for seller liability insurance was established in the autumn. Home owners can contact the board if they believe the claims adjustment to be incorrect. Länsförsäkringar is the sole player in the market to have such a board. We stopped underwriting new and renewing casualty insurance for the life-assurance brokerage operations in September. However, we will continue to offer casualty insurance to brokers of non-life insurance. 2014 was also a strong year for Agria Djurförsäkring. We experienced fantastic growth in pet insurance, primarily in cat insurance. In the autumn, Agria extended the opening hours of its direct claims adjustment service, which is now open from 8:00 a.m. to 8:00 p.m. on weekdays. These are the longest opening hours in the industry and were well received by animal hospitals and clinics. Agria Sweden and Agria International merged at the start of the summer. The reinsurance market remains very soft with declining premium volumes and extended terms and conditions. It is a buyer's market. Reinsur-

ers are continuing to report healthy earnings and low interest rates are resulting in continued inflows of capacity and pressure on reinsurance premiums. Fierce competition is continuing to lead to lower premiums, declining 10–15%. Multi-year agreements are also becoming more common. Prices in the reinsurance market declined slightly since reinsurance companies could report healthy profits and new players entered the market, such as hedge funds that underwrite assumed reinsurance. The fire in Västmanland was one of the largest claims of the year, as was the torrential rains that affected Skåne and the Stockholm area at the beginning of August. Digital development is one of our most important issues for the future and is naturally governed by changes in needs and behaviour.

Challenges ahead

We find ourselves in an exciting stage of development. As usual, we are basing our continued efforts to develop our offering on our customers' needs. Similar to our competitors, efficiency and our business practices are conditions for an attractive customer offering. Work is continuing at our business areas to digitise customer documents and online services. Digital development is one of our most important issues for the future and is naturally governed by changes in needs and behaviour. Our brand is strong and to more clearly clarify that we are close to customers and customer-owned, we use the phrase "Come closer" in our communication.

Solvency II preparations continued during the year. The necessary adjustments to the rules to further strengthen our internal governance and control are continuously being made. Sustainability in everything we do and the development of new areas are essential for success. To be prepared for the future, we need to continuously develop our operations, work methods and employees. After all, highly skilled and dedicated employees are essential for success and continued positive results.

Stockholm, March 2015



ANN SOMMER

President of Länsförsäkringar Sak



BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby submit the Annual Report for the 2014 fiscal year. The registered office of the company is in Stockholm.

Consolidated financial statements were not prepared with reference to Chapter 7, Section 2 of the Swedish Annual Accounts Act, since the company and its subsidiaries are included in the consolidated financial statements for Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020. Figures in parentheses pertain to the preceding year.

Ownership

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Sak) is wholly owned by Länsförsäkringar AB (publ), which in turn is owned by 23 regional insurance companies and 16 local insurance companies.

Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Gruppplivförsäkringsaktiebolag, Länsförsäkringar Sak Fastighets AB, the partnership Utile Dulci 2 HB.

Focus of operations

Länsförsäkringar Sak conducts non-life insurance operations. The majority of non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. Länsförsäkringar Sak's task is to conduct business activities in the development areas in non-life insurance and to supplement the Länsförsäkringar Alliance's offering by conducting business activities where there is a need for specialist expertise or where economies of scale can be gained

from underwriting business in Länsförsäkringar Sak. In 2014, business was underwritten in the insurance classes of health, health care, accident, property, marine and cargo and casualty insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor-hull insurance), run-off motor third-party liability insurance and annuities operations. The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance.

Länsförsäkringar Sak's subsidiary Försäkringsaktiebolaget Agria is a specialist company for animal and crop insurance. The subsidiary Länsförsäkringar Gruppplivförsäkringsaktiebolag underwrites group life assurance and employment group life assurance. The operations in Länsförsäkringar Sak with subsidiaries are conducted jointly in Länsförsäkringar AB's Non-life Insurance business unit.

Market

The market for accident and health insurance was affected by the growing concern that social insurance in Sweden will be insufficient and greater household indebtedness. A rising number of people are buying private insurance to increase their financial security in the event of illness, accident, unemployment, pensions and death. Company owners also want to ensure that neither they nor their employees go on long periods of sick leave and health care insurance can thus provide greater security and keep a business healthy. The health care insurance market is growing, with more than 600,000 people currently having health care insurance, while competition in the market is fierce, particularly in the market for medium-sized and large companies. Profitability is also generally weak and most competitors have introduced deductible options and raised premiums. Part of the growth in recent years has been in insurance with limited content, for example, policies that only provide coverage for accidents. Some competitors have introduced

similar claims prevention services in their health care insurance to those presented by Länsförsäkringar in 2013. Sales of health care insurance rose during the year and Länsförsäkringar remains the market leader in the area. The accident and health insurance market also increased during the year by about 8%, and Länsförsäkringar's market share declined slightly but has remained relatively stable in the past few years at slightly more than 19%.

The number of players in the commercial lines market is continuing to increase, which is resulting in further price pressure in several segments. Portfolio procurements from larger insurance brokers are more and more common. The price pressure in marine and cargo insurance stagnated slightly, although there are no indications that premiums are starting to rise. Despite this, Länsförsäkringar Sak's portfolio has successively increased over several years and the business has delivered stable, positive results. Competition in casualty insurance further intensified during the year through new establishments and with insurance companies that previously focused only on large companies now also cultivating the same market segments (small and medium-sized businesses) as Länsförsäkringar Sak. The casualty insurance market was also impacted by the uncertain legal situation in the life-assurance broker market. There are differing opinions on whether investment advice is included in insurance brokerage. Combined with the product range in the life-assurance market becoming increasingly complex, this makes it more difficult to gain an overview of the types of products and insurance that are included in the life-assurance broker's operations.

The interests of the Länsförsäkringar Alliance's corporate customers in Sweden are increasingly international and demand for commercial insurance solutions abroad is increasing among both new and existing customers. Through the International Network of Insurance (INI), Länsförsäkringar is one of the few companies in the Swedish market, that can offer customised and local

insurance solutions in more than 100 countries at competitive prices.

The world's reinsurance capacity is greater than ever due to robust earnings. Record low interest rates have attracted new investment capital to the industry, to established companies, Lloyd's syndicate and various mutual funds, resulting in pressed prices.

Significant events during the year

Transfer of motor third-party liability insurance business

On 30 December 2014, Länsförsäkringar Sak transferred a portfolio of run-off motor third-party liability insurance to the regional insurance companies. The transfer comprises motor third-party liability claims that are still outstanding and the annuities associated with the transferred motor third-party liability insurance portfolio. The claims reserves transferred to the regional insurance companies are reinsured in their entirety with Länsförsäkringar Sak and excess loss reinsurance is subsequently taken out for the regional insurance companies so that these companies avoid being affected by the different run-off results of individual claims. The portfolio of parts of the run-off transactions, which derives from the previous acquisition of Wasa Försäkring, for example, were not transferred, but excess loss reinsurance was taken out for these parts of the portfolio for the regional insurance companies in connection with the transfer. In total, commitments corresponding to SEK 7,214 M were transferred and reinsured, of which SEK 4,647 M pertained to annuities. New sales of motor third-party liability insurance, with the exception of some commercial automotive business, were transferred to the regional insurance companies in 2004, on a renewal month basis, and the recently transferred portfolio pertains to claims with their main renewal dates in 2004 or earlier. 22 regional insurance companies participated in the portfolio transfer and received reinsurance as described above.

Business Area Reinsurance

Business Area Reinsurance in Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover in the form of internal Alliance reinsurance with a number of pool solutions. The internal reinsurance and the reinsurance jointly procured for the Alliance is a major asset for Länsförsäkringar and its customers. The system ensures a stable solution at low cost by distributing risk within the Länsförsäkringar Alliance and procuring external cover for large claims. Länsförsäkringar Sak also underwrites a highly diversified portfolio in internationally assumed reinsurance.

The Länsförsäkringar Alliance was affected by a number of natural catastrophes during the year, the largest of which was the forest fire in Västmanland that is estimated to cost about SEK 370 M. The Alliance also incurred major claims from various instances of torrential rain and flooding. The largest claim was from the torrential rain in Malmö on 31 August, which is estimated to cost approximately SEK 160 M. These claims were internally reinsured. Some of the costs for the forest fire were recouped from the Alliance's catastrophe insurance and some of these claims were also recouped from external annual aggregate cover. The Länsförsäkringar Alliance's reinsurance cover was renewed without any major changes and at slightly lower prices.

In terms of claims, 2014 was a very good year for the international reinsurance market since there were no major natural disaster claims during the year. Earnings for Länsförsäkringar Sak's internationally assumed reinsurance business were also healthy, but were slightly negatively affected by the claims trend for flooding, hailstone and storm-related claims in 2013. The assumed, international reinsurance business was also renewed without any major changes. Claims-free contracts were often given price reductions.

Business Area Health

The personal-risk insurance market is continuing to develop and Länsförsäkringar

is increasing both its premium volumes and number of policies in this area. Claims costs in health care insurance remained high during the year and a number of measures were taken to turn around the trend, for example, increasing premiums and deductibles. Other parts of accident and health insurance delivered stable, positive earnings. Brokered sales continue to perform well. Business Area Health both renewed existing and underwrote new brokered agreements during the year, resulting in an increase in the portfolio of brokered insurance. In 2014, sales of the new, more comprehensive health care insurance including claims prevention services and rehabilitation, continued. Health care insurance packaged with occupational pensions and commercial insurance displayed a highly favourable trend. This health care insurance supports employees in their efforts to achieve better health and helps companies reduce sickness absence rates. With highly satisfied health care insurance customers and a large market share in commercial insurance, Länsförsäkringar is well-positioned for growth. A new insurance policy, Bo Kvar, was launched during the year in cooperation with Länsförsäkringar Bank. This policy provides financial protection for the bank's mortgage customers in the event of death, illness or unemployment. Sales of the Bo Kvar policy have gradually grown month by month. Accident insurance was also developed and modernised during 2014.

Trends towards increased digitisation of the operations are continuing and a large number of insurance policies are now taken out digitally. Customers can now also take out some of the insurance policies via the Internet.

Business Area Commercial Special Insurance

Länsförsäkringar Sak supplements the regional insurance companies' offering to corporate customers with specialised casualty, marine and cargo, motor and property insurance solutions. Länsförsäkringar increased premium volumes in motor,

marine and cargo and casualty business despite intense competition in the market. Länsförsäkringar Sak stopped underwriting new and renewing casualty insurance for the life-assurance brokerage operations in September due to the uncertain legal situation for the life-assurance broker operations.

Preparations for new risk-based regulatory requirements – Solvency II

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, at the end of 2009. These changed Solvency II rules are extensive and affect a number of areas of the insurance companies' operations. The new rules place more rigorous demands on governance and risk control. The rules also stipulate that the requirements for minimum buffer capital must be better adjusted to the individual insurance company's actual level of risk. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks. An internal model is to be approved by the Swedish Financial Supervisory Authority before being used to calculate and report the Solvency Capital Requirement, and Länsförsäkringar Sak has received a preparatory review of its partial internal model from the Financial Supervisory Authority. The company will thus be able to work with a measure of capital requirement that is better aligned with the company's own risks than those in the standard formula.

The timeframe for the introduction of Solvency II has been successively postponed. According to the agreement between the EU institutions in November 2013, the Solvency II regulations in their entirety are to apply from 1 January 2016. However, from as early as 1 January 2014, companies encompassed by the Solvency II rules are to begin applying the preparatory guidelines issued by EIOPA.

Länsförsäkringar Sak has made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar Sak and its subsidiaries essentially meet the requirements of the EIOPA's guidelines as per 1 January 2014. This preparatory work was also carried out to create

the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation in the Länsförsäkringar AB Group have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns.

New standard for recognition of insurance contracts

The International Accounting Standards Board (IASB) has been working on a new standard for recognition of insurance contracts, IFRS 4, for a long time. A revised draft was presented in 2013. The proposal entailed a number of major changes to the recognition and presentation of insurance contracts, which will lead to significant changes for the majority of insurance companies. One of the changes is that insurance contracts are to be recognised at market value. In 2014, the IASB worked on completing a final standard, which is due to be published in 2015. The standard is scheduled to come into effect for fiscal years beginning on or after 1 January 2019 following a transition period that is expected to have a duration of three years. The standard will become part of EU law after it is adopted by the European Commission.

Significant events after the end of the fiscal year

No significant events were reported after the balance-sheet date.

Expectations regarding future development

Households' increased indebtedness and the trend towards greater insecurity in the labour market indicate that the need for personal-risk insurance in the form of benefits in the event of illness, accident or unemployment will continue to increase. Sick leave figures in society are increasing after previously having declined over a couple of years. The driving forces behind taking out health care insurance for employees is the risk of long sick-leave periods and hospital waiting lists. More than a third of recent sick-leave periods are due to mental health issues, period of sick leave that often are long and costly for companies, the individual and society.

The financial situation, with its expectations of continued low growth, primarily

affects the export sector, which can have a negative impact on volumes in marine and cargo insurance and other volume-based insurance lines.

No major changes are expected in the reinsurance market in the short term. High capacity and price pressure will continue as long as reinsurance companies report healthy earnings. The market may not change until after a few years of weak earnings, major claims impacting the entire market or higher interest rates. This means a favourable market for procurement of reinsurance for Länsförsäkringar, although it will be difficult to increase the assumed business and at the same time achieve healthy earnings. Maintaining good relationships with customers and brokers is important.

Risks and risk management

Länsförsäkringar Sak's largest risk exposures are considered to be its investment assets and its insurance commitments in assumed reinsurance and personal-risk insurance. Refer also to note 2 Risks and risk management.

Employees

Dedicated employees, active change management, a positive work environment and competent leadership are important prerequisites for the various companies in the Länsförsäkringar AB Group in order to achieve results. An employee survey is conducted once per year, with a focus on feeding back the results and a joint improvement process. The results of this year's employee survey revealed a higher index in all question areas compared with Swedish companies. The employee response rate for the survey in the Non-life Insurance business unit was 91%.

Employeehip at Länsförsäkringar Sak means taking responsibility for one's own performance, competencies and health, which is stated in the personnel policy and the company's performance management work model. The basis for all employee performance and development, in both the short and long term, is the business plan and values. Employees receive feedback on their performance at monthly follow-up talks with their immediate manager.

Employeehip also involves actively making improvements to the operations, for example, based on the Lean activities that have been introduced throughout the organ-

isation. The purpose of introducing Lean is to develop the company's overall work on continuous improvements, which will lead to more satisfied customers, enhanced efficiency and profitability.

Länsförsäkringar AB has internal training operations that develop and arrange in-house training courses. These operations offer training courses in life assurance, banking and non-life insurance and leadership as commissioned by the Länsförsäkringar Alliance.

An employee profile based on values was drawn up in 2014 with participation from both employees and managers. The aim of this profile is for it to help clarify employee responsibility in terms of performance, competencies and health. The employee profile will be introduced into the operations in 2015. A clearly defined leader profile provides guidance for the company's leaders. The leader profile was produced in 2013 and introduced in the operations during the year by arranging training camps for all managers.

Another key issue followed up in the employee survey is that the Länsförsäkringar AB Group is perceived to be an equal opportunity workplace by both women and men. The business target for 2014 was for 80% of female employees to perceive Länsförsäkringar AB as an equal opportunity workplace. Opinion on this issue is displaying an upward trend but the target has not been fully reached.

Environment

Länsförsäkringar Sak takes an environmental approach through the organisation by reducing its impact on the environmental and ensuring that its operating activities are environmentally compatible. This approach is applied to the company's internal office operations and to coordinating environmental activities for the regional insurance companies throughout Sweden. Länsförsäkringar AB's environmental management system, which includes Länsförsäkringar Sak, has held ISO 14001 certification since 2004. Certification is verified every year by an external company. Qvalify AB has audited the company's environmental management system for three years. Internal environmental audits help to further environmentally adapt the operations by reviewing environmental efforts every year based on internal guidelines. This certification

means that, for example, the company has a structure and sustainable method for working on environmental issues integrated into the operating activities. Länsförsäkringar Sak's environmental effort is conducted in several areas with specific and measurable targets.

In accordance with the company's environmental policy, Länsförsäkringar Sak assumes its responsibility for the negative impact on the environment that arises in the operations. The areas in which the company has the greatest direct impact on the environment is business travel, paper print-outs produced in the offices and information and documentation sent to customers. Business travel results in, for example, emissions of the greenhouse gas, carbon dioxide. To reduce the environmental impact, train travel is increasingly used for business trips according to the travel guidelines that apply for the entire company. Company cars meet the company's definition of green cars, and the company has also installed charging stations for electric cars in its own car parks to stimulate the use of cars that do not operate on fossil fuels. To reduce the consumption of paper, digital solutions are being developed. Development of the online channel provides major opportunities for reducing paper-based communication, while simultaneously improving the information quality. Increasingly transferring to digital customer documents is a long-term effort. In addition to reducing the environmental impact of paper manufacturing and transportation of paper-based communication, information is more accessible to customers.

Another key function that also has an environmental impact is the purchasing of products and services. According to the Länsförsäkringar AB Group's purchasing policy, the environmental impact of purchasing processes will be minimised. Continuous efforts are thus taking place to develop environmental standards for all categories of purchasing and procurement.

Each claim incurred entails some form of environmental impact. Länsförsäkringar AB conducts standardised claims-prevention activities throughout the Länsförsäkringar Alliance to reduce the environmental effects of, for example, motor hull insurance claims.

Länsförsäkringar Sak's office properties are environmentally classified as energy-efficient and designed to promote health

and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. The properties are managed by Humlegården AB which also holds ISO 14001 certification. The electricity used in the properties is Good Environmental Choice electricity and the heating is district heating that is largely produced using renewable fuels.

Responsible investments

Länsförsäkringar Sak's ethical guidelines are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. Dialogue is the primary tool used to encourage companies to stop contraventions and take preventive measures to prevent repeat offences.

Asset Management

Asset management is handled within Länsförsäkringar AB on assignment from Länsförsäkringar Sak. Using an efficient and competitive management model that takes risk levels into consideration, Länsförsäkringar Sak aims to create a stable return on the investment assets in the company in order to achieve favourable profitability over time. During the year, risk in the portfolio remained low. Most of the total market risk was in property, while the market risk in the more actively managed part of the portfolio was found in interest-bearing assets.

Management model

Länsförsäkringar Sak's portfolio structure for market exposure focuses on selecting a suitable distribution of assets in the portfolios based on the determined risk level. Management is controlled by limiting Länsförsäkringar Sak's contribution to risk in the Non-life Group at both overall level and for individual risk categories. In addition, major importance is attached to how the desired market exposure is to be achieved. Asset management is able to employ other effective solutions to maintain market exposure rather than traditional management mandates. This can take place, for example, via different types of derivative instruments, which generates added value through

reduced administration costs and simplified business administration. The combination of these factors results in a portfolio structure that creates scope for action to capture the market exposure deemed suitable. This means that Länsförsäkringar Sak conducts portfolio management that creates scope for rapid action following changed market conditions at a lower administration cost.

Earnings and financial position

Profit before appropriations and tax for 2014 amounted to SEK 320 M (149). Profit from insurance operations amounted to SEK 308 M (195) and the remaining investment income and other non-technical expense amounted to SEK 12 M (neg: 46).

Profit from insurance operations

Premiums earned after ceded reinsurance declined 20.2% compared with the preceding year to SEK 1,485 M (1,862). The lower premiums earned were due to a nonrecurring effect of SEK 500 M attributable to the transfer and reinsurance of the motor third-party liability insurance portfolio to the regional insurance companies. Excluding this effect, premiums earned rose 7%, primarily a result of portfolio growth and premium increases in accident and health insurance.

Claims payments after ceded reinsurance amounted to SEK 861 M (1,377), resulting in a claims ratio of 58% (74). The single, main reason for the lower claims ratio is a SEK 520 M decrease in claims payments that was the nonrecurring effect of the transfer of the motor third-party liability insurance portfolio to the regional insurance companies that reduced the claims ratio by 12 percentage points. Excluding non-recurring effects, the claims ratio improved to 70%, mainly due to the positive run-off result in accident and health insurance.

Technical provisions, before ceded reinsurance (gross), fell SEK 2,804 M, while technical provisions for own account declined SEK 7,112 M. The single main reason for the decline in the provisions was the transfer combined with the reinsurance of run-off motor third-party liability insurance from Länsförsäkringar Sak to the companies in the Länsförsäkringar Alliance. The effect on provisions for own account was SEK 7,214 M.

Operating expenses increased compared with the preceding year to SEK 412 M

(446). The decrease in operating expenses was mainly due to lower expenses related to preparation for the introduction of the Solvency II regulations compared with the preceding year and lower depreciation costs for acquisitions. However, the expense ratio rose to 28% (24). The increase was due to premiums earned declining as a result of the transfer of the motor third-party liability insurance portfolio that impacted the expense ratio by 7 percentage points. Excluding the effect of the transfer, the expense ratio improved to 21%.

All insurance classes reported a profit, except for the motor business which was impacted by large individual claims during the year, and commercial insurance was impacted by higher reserves in casualty insurance due to the uncertain legal situation regarding life-assurance broker operations.

The combined ratio fell to 86% (98) as a result of a lower claims ratio. The combined ratio excluding the effect of the transfer of motor third-party liability insurance portfolio was 90%. Investment income transferred from financial operations amounted to SEK 115 M (137).

Profit from financial operations

The total return on all investment assets was 5.6% (neg: 1.2). During the year, Länsförsäkringar Sak applied liability hedging to hedge interest-rate risk in the discounted annuity reserve. The higher return in 2014 was due to the liability hedge, which accounted for the largest positive contribution to the total return, 3.6 percentage points. The liability hedge consisted of nominal and real fixed-income assets and comprised about 30% of the investment assets during the year. Due to falling interest rates in 2014, the total return on fixed-income assets was positive. However, the positive result from the liability hedge was offset by a correspondingly negative interest-rate revaluation effect on the annuity reserve. Properties, which at year-end amounted to about 36% of the investment assets, represented the largest positive contribution of 0.9 percentage points. The fixed-income portfolio contributed 0.5 percentage points, investments in hedge funds 0.3% percentage points, and currencies 0.2 percentage points. Excluding liability hedging, the total return amounted to 3.0% (3.5). The lower total return compared with the preceding year was largely attributable to

a lower contribution from properties, while credits in the fixed-income portfolio, investments in hedge funds and currencies generated higher contributions year-on-year.

Solvency

Solvency capital declined during the year and amounted to SEK 2,944 M (3,653). The solvency margin increased to 196% (194) due to a decline in premium income for own account.

Proposed appropriation of profit

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolag (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	305,635,099
Group contribution paid	-188,000,000
Tax on Group contributions	41,360,000
Net profit for the year	216,935,616
Total	375,930,715

The Board of Directors and the President propose that SEK 156.00 per share of this profit, corresponding to SEK 312,000,000, be distributed to the Parent Company and SEK 63,930,715 be carried forward. The Board of Directors believes that this distribution of profit and Group contribution paid are justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

The result of the year's operations and the company's financial position at 31 December 2014 are presented in the following financial statements and the accompanying notes.

Five-year summary

SEK M	2014	2013	2012	2011	2010
EARNINGS					
Premiums earned (after ceded reinsurance)	1,485	1,862	1,796	1,839	1,754
Investment income transferred from financial operations	115	137	144	169	184
Claims payments (after ceded reinsurance)	-861	-1,377	-1,268	-1,513	-1,324
Operating expenses	-412	-446	-453	-431	-379
Other income and expenses	-19	19	-	-	-
Technical result for insurance operations	308	195	219	64	235
Remaining investment income	41	-17	151	37	396
Other non-technical expenses	-29	-29	-29	-29	-17
Profit before appropriations and tax	320	149	341	56	614
Net profit for the year	217	108	230	41	537
Premium income (after ceded reinsurance)					
Non-life insurance	1,499	1,881	1,786	1,787	1,714
FINANCIAL POSITION					
Investment assets	6,093	13,704	14,321	14,167	13,100
Technical provisions (after ceded reinsurance)	4,172	11,284	12,059	12,480	12,216
Solvency capital					
Equity	580	1,326	1,262	1,451	1,201
Deferred tax	10	12	17	-39	-186
Untaxed reserves	1,205	1,165	1,155	1,139	1,139
Surplus values	1,149	1,150	1,104	1,056	1,000
Solvency capital	2,944	3,653	3,539	3,608	3,154
Solvency margin, %	196	194	198	202	184
Capital base	2,588	3,252	3,385	3,092	2,902
Required solvency margin	512	335	325	336	325
Capital base for the insurance group, Länsförsäkringar Sak Group	3,020	3,319	3,281	2,846	2,742
Capital base for the insurance group¹⁾	7,619	-	-	-	-
Required solvency margin for the insurance group, Länsförsäkringar Sak Group	1,050	840	826	781	802
Required solvency margin for the insurance group¹⁾	6,293	-	-	-	-
KEY FIGURES					
Insurance operations					
Claims ratio ²⁾	58	74	71	82	75
Expense ratio	28	24	25	23	22
Combined ratio	86	98	96	106	97
Asset management, %					
Direct yield	0.6	2.3	2.8	4.1	3.6
Total return, including properties in Group companies	5.6	-1.2	3.7	6.4	4.3

¹⁾ From 2014, Länsförsäkringar Sak is included in an insurance group under Länsförsäkringar AB (publ) together with Länsförsäkringar Grupplivförsäkringsaktiebolag (publ), Försäkringsaktiebolaget Agria (publ), Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and Länsförsäkringar Liv Försäkringsaktiebolag (publ). The reason for the new insurance group is an amendment to the Swedish Insurance Business Act (2010:2043) that came into effect on 1 August 2013 (Act on Amendments to Insurance Business Act (2010:2043) (2013:672)), but that applied from 1 January 2014 based on transition rules.

²⁾ Fees to Swedish Motor Insurers were previously recognised as claims payments. From 2014, they are recognised as Other technical expenses since the expense is not considered to be a transfer of insurance risk, while at the same time, when viewed in relation to the insurance operations, it is deemed more correct to recognise the expense as Other technical expenses. The claims ratio has been adjusted for 2013 but not for older periods since it difficult to obtain data.

Direct yield

Direct yield refers to the total of rental income from properties, interest income, interest expense, dividends on shares for participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year. The direct yield was restated in accordance with FFFS 2011:28.

Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding administration costs, in relation to the average value of these assets during the year. The change in value in assets for liability hedges is included in the figure, but the change in value of the discounted technical provisions is not included in the total return.

Investment income transferred from financial operations

With the amendment of the accounting policies for indexed annuities in 2011, this is recognised as an increased capital cost for Investment income transferred from the financial operations, to the change in provision for claims outstanding reducing the total claims payments. 2010–2014 have been recalculated according to the new policy, but prior years are recognised according to the previous policies.

Surplus values

Items included in Surplus values, see note 20 Shares and participations in Group companies, with information about the valuation of shares in property companies. Surplus values are calculated as the difference between the Market Value and Carrying Amount of properties in subsidiaries, adjusted by the difference between the Carrying Amount of these shares/participations in subsidiaries and Equity in the subsidiaries.

Distribution of investment assets, Länsförsäkringar Sak (including properties in Group companies)

Amounts in SEK M	Market value, 31 Dec 2014	%	Market value, 31 Dec 2013	%
Interest-bearing	3,420	46.6	6,085	42.6
Strategy	1,083	14.7	496	3.5
Property	2,659	36.2	2,674	18.7
Liability hedge (interest-bearing)	184	2.5	5,019	35.2
Total	7,346	100	14,274	100

Financial statements

Income statement	11	Note 21 Interest-bearing securities issued by Group companies and loans to Group companies.....	34
Performance analysis	12	Note 22 Shares and participations in associated companies	34
Balance sheet	13	Note 23 Shares and participations.....	35
Statement of changes in shareholders' equity	15	Note 24 Bonds and other interest-bearing securities.....	35
Cash-flow statement	15	Note 25 Derivatives	35
Note 1 Accounting policies	16	Note 26 Receivables, direct insurance.....	35
Note 2 Risks and risk management	22	Note 27 Other receivables.....	35
Note 3 Premium income	29	Note 28 Accrued interest income	35
Note 4 Investment income transferred from financial operations.....	29	Note 29 Prepaid acquisition costs	35
Note 5 Claims paid	29	Note 30 Other prepaid expenses and accrued income	36
Note 6 Operating expenses	29	Note 31 Unearned premiums and unexpired risks	36
Note 7 Fees and remuneration to auditors.....	29	Note 32 Claims outstanding	36
Note 8 Employees, staff costs and remuneration of senior executives	29	Note 33 Pensions and similar commitments.....	36
Note 9 Other technical expenses	31	Note 34 Other provisions	36
Note 10 Investment income, revenue	31	Note 35 Liabilities, direct insurance.....	37
Note 11 Investment income, expenses.....	31	Note 36 Other liabilities	37
Note 12 Net investment income, per measurement category.....	31	Note 37 Pensions.....	37
Note 13 Unrealised gains on investment assets	31	Note 38 Other accrued expenses and deferred income.....	38
Note 14 Unrealised losses on investment assets	31	Note 39 Information about offsetting.....	38
Note 15 Other non-technical expenses	31	Note 40 Financial assets and liabilities by category	39
Note 16 Taxes	32	Note 40 Anticipated recovery and settlement periods, amounts expected to be recovered	41
Note 17 Property and equipment.....	32	Note 42 Memorandum items.....	42
Note 18 Goodwill.....	32	Note 43 Disclosures on related parties.....	42
Note 19 Other intangible assets.....	33	Note 44 Supplementary disclosures on income-statement items by insurance class.....	42
Note 20 Shares and participations in Group companies	34		

Income statement

Technical recognition of non-life insurance operations, SEK M	Note	2014	2013
Premiums earned (after ceded reinsurance)			
Premium income	3	5,886.0	3,813.6
Premiums for ceded reinsurance		-4,387.2	-1,932.4
Change in Provision for unearned premiums and unexpired risks		-7.7	-19.7
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks		-6.3	0.2
Total		1,484.8	1,861.7
Investment income transferred from financial operations	4	115.4	136.9
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-7,731.8	-2,623.6
Reinsurers' portion		1,314.6	902.6
Total	5	-6,417.2	-1,721.0
Change in Provision for claims outstanding			
Before ceded reinsurance		1,258.4	-131.8
Reinsurers' portion		4,298.2	475.4
Total		5,556.6	343.6
Claims payments (after ceded reinsurance)			
		-860.6	-1,377.4
Operating expenses	6, 7, 8	-412.3	-446.2
Other technical expenses	9	-19.5	19.7
TECHNICAL RESULT FOR NON-LIFE INSURANCE OPERATIONS		307.8	194.7
NON-TECHNICAL RECOGNITION			
Technical result for non-life insurance operations		307.8	194.7
Investment income, revenue	10	842.6	967.0
Unrealised gains on investment assets	13	118.5	7.6
Investment income, expenses	11	-767.8	-142.7
Unrealised losses on investment assets	14	-3.1	-676.2
Other non-technical expenses	15	-28.9	-28.9
Investment income transferred to non-life insurance operations		-149.4	-172.7
Profit before appropriations and tax		319.7	149.0
Appropriations			
Tax allocation reserve		-39.5	-10.0
Profit before tax		280.2	139.0
Tax on net profit for the year	16	-63.3	-31.5
Net profit for the year		216.9	107.5

Statement of comprehensive income

SEK M	2014	2013
Net profit for the year	216.9	107.5
Other comprehensive income	-	-
Total comprehensive income	216.9	107.5

Performance analysis 2014

SEK M	Total	Accident and health	Household and homeowner	Commercial	Motor hull	Motor third-party liability	Marine, air and cargo	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
Technical result for non-life insurance operations										
Premiums earned (after ceded reinsurance)	1,484.8	1,022.0	–	219.4	97.5	–524.1	102.8	917.5	3.3	563.9
Investment income transferred from financial operations	115.4	27.2	0.0	14.6	1.4	56.9	1.7	101.8	0.0	13.6
Claims payments (after ceded reinsurance)	–860.6	–662.4	–0.9	–230.2	–83.4	606.8	–46.6	–416.7	–1.9	–442.0
Operating expenses	–412.4	–198.2	–	–49.2	–19.3	–14.3	–29.0	–309.8	–0.0	–102.3
Other technical expenses	–19.5	–	–	–	0.1	–19.6	–	–19.5	–	–
Technical result, non-life insurance operations, 2014	307.8	188.7	–0.9	–45.5	–3.7	105.7	28.8	273.1	1.5	33.2
Technical result for non-life operations, 2013	194.7	81.8	–0.2	1.3	–17.1	66.7	20.3	152.8	2.7	39.2
Gross run-off profit/loss, 2014	676.2	151.7	–0.7	–9.8	4.6	612.3	17.0	775.1	–1.8	–97.1
Technical provisions, before ceded reinsurance										
Provision for unearned premiums and unexpired risks	489.0	240.6	1.1	92.5	103.3	7.9	28.8	474.2	2.0	12.8
Provision for claims outstanding	15,194.2	1,529.0	1.0	969.4	28.4	2,279.7	105.7	4,913.2	1.5	10,279.5
Total technical provisions, before ceded reinsurance	15,683.2	1,769.6	2.1	1,061.9	131.7	2,287.6	134.5	5,387.4	3.5	10,292.3
Reinsurers' portion of technical provisions										
Provision for unearned premiums and unexpired risks	8.3	–	–	3.9	–	–	1.2	5.1	1.0	2.2
Provision for claims outstanding	11,503.0	1.3	–	8.3	1.2	2,120.9	0.2	2,131.9	0.4	9,370.7
Total reinsurers' portion of technical provisions	11,511.3	1.3	–	12.2	1.2	2,120.9	1.4	2,137.0	1.4	9,372.9

Notes to performance analysis

SEK M	Total	Accident and health	Household and homeowner	Commercial	Motor hull	Motor third-party liability	Marine, air and cargo	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
Note A Premiums earned (after ceded reinsurance)										
Premium income	5,886.0	1,045.8	–	225.8	122.3	46.1	110.1	1,550.1	6.4	4,329.5
Premiums for ceded reinsurance	–4,387.2	–0.7	–	–27.3	–7.5	–568.4	–6.2	–610.1	–2.9	–3,774.2
Change in Provision for unearned premiums and unexpired risks	–7.7	–23.0	–	21.0	–17.3	–1.8	–1.1	–22.2	–0.4	14.9
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks	–6.3	–	–	–0.3	–	–	–	–0.3	0.3	–6.3
Note B Claims payments (after ceded reinsurance)										
Claims paid										
Before ceded reinsurance	–7,575.7	–650.5	–0.1	–124.7	–81.1	–5,031.1	–61.8	–5,949.3	–1.6	–1,621.1
Reinsurers' portion	1,314.6	3.1	–	8.8	3.2	85.4	4.5	105.0	0.6	1,209.0
Change in provision for claims outstanding										
Before ceded reinsurance	1,258.4	60.9	0.0	–83.5	2.7	3,726.1	26.6	3,732.8	–0.9	–2,473.5
Reinsurers' portion	4,298.2	–9.7	0.0	2.7	0.6	1,856.2	–3.1	1,846.7	–0.2	2,451.7

Balance sheet

SEK M	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Intangible assets			
Goodwill	18	11.9	40.8
Other intangible assets	19	21.8	32.2
Total		33.7	73.0
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	20	1,965.7	1,952.0
Interest-bearing securities issued by Group companies and loans to Group companies	21	1,064.2	1,896.5
Shares and participations in associated companies	22	17.5	17.5
Other financial investment assets			
Shares and participations	23	37.6	32.0
Bonds and other interest-bearing securities	24	2,843.1	9,670.5
Derivatives	25	14.5	3.9
Other financial investment assets		101.7	77.2
Deposits with companies that have ceded reinsurance		48.7	54.5
Total		6,093.0	13,704.1
Reinsurers' portion of Technical provisions			
Unearned premiums and unexpired risks	31	8.3	14.4
Claims outstanding	32	11,503.0	7,189.3
Total		11,511.3	7,203.7
Receivables			
Receivables, direct insurance	26	403.8	322.4
Receivables, reinsurance		304.7	177.6
Other receivables	27	747.0	621.9
Total		1,455.5	1,121.9
Other assets			
Property and equipment	17	5.8	3.4
Cash and bank balances		651.1	174.6
Deferred tax	16	2.8	3.1
Total		659.7	181.1
Prepaid expenses and accrued income			
Accrued interest income	28	10.4	81.1
Prepaid acquisition costs	29	20.8	24.0
Other prepaid expenses and accrued income	30	20.8	14.7
Total		52.0	119.8
TOTAL ASSETS		19,805.2	22,403.6

Balance sheet, cont.

SEK M	Note	31 Dec 2014	31 Dec 2013
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital (2,000,000)		200.0	200.0
Statutory reserve		4.0	4.0
Retained earnings		159.0	1,014.0
Net profit for the year		216.9	107.5
Total		579.9	1,325.5
Untaxed reserves			
Contingency reserve		1,138.9	1,138.9
Tax allocation reserve		66.2	26.7
Total		1,205.1	1,165.6
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	31	489.0	473.1
Claims outstanding	32	15,194.2	18,014.5
Total		15,683.2	18,487.6
Other provisions			
Pensions and similar commitments	33	24.1	27.7
Deferred tax liabilities	16	12.8	15.3
Current tax liabilities		1.3	–
Other provisions	34	12.2	12.5
Total		50.4	55.5
Deposits from reinsurers		22.8	29.1
Liabilities			
Liabilities, direct insurance	35	1,492.4	593.7
Liabilities, reinsurance		203.3	369.4
Derivatives	25	67.3	20.4
Other liabilities	36	303.3	177.2
Total		2,066.3	1,160.7
Accrued expenses and deferred income			
Other accrued expenses and deferred income	38	197.5	179.6
TOTAL EQUITY, PROVISIONS AND LIABILITIES		19,805.2	22,403.6
Memorandum items			
Pledged assets	42	4,876.4	13,720.1
Contingent liabilities		23.2	28.1

Statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Retained earnings	Net profit for the year	Total equity
Opening equity, 1 January 2013	200.0	4.0	827.6	230.3	1,261.9
Appropriation of profit			230.3	-230.3	0.0
Dividends to Parent Company	-	-	60.7	-	60.7
Group contributions paid/received	-	-	-104.6	-	-104.6
Net profit for the year/Comprehensive income	-	-	-	107.5	107.5
Closing equity, 31 December 2013	200.0	4.0	1,014.0	107.5	1,325.5
Opening equity, 1 January 2014	200.0	4.0	1,014.0	107.5	1,325.5
Appropriation of profit			107.5	-107.5	-
Dividends to Parent Company			-815.9		-815.9
Group contributions paid/received			-146.6		-146.6
Net profit for the year/Comprehensive income				216.9	216.9
Closing equity, 31 December 2014	200.0	4.0	159.0	216.9	579.9

Share capital and the statutory reserve are classified as restricted equity.

Cash-flow statement

SEK M	Note	2014	2013
Operating activities			
Profit before tax		280.2	139.0
Adjustment for non-cash items		-7,128.6	-169.0
Tax paid		-17.4	-13.4
Cash flow from operating activities before changes in working capital		-6,865.8	-43.4
Cash flow from changes in working capital			
Investments in investment assets, net		6,756.0	-344.0
Increase (-)/Decrease (+) in operating receivables		-159.2	103.2
Increase (+)/Decrease (-) in operating liabilities		729.2	231.0
Cash flow from operating activities		460.2	-53.2
Investing activities			
Repayment of loans granted		950.8	201.8
Shareholders' contributions paid to subsidiaries		-	-
Investments in property and equipment		-3.3	-1.8
Investments in intangible assets		-	-
Cash flow from investing activities		947.5	200.0
Financing activities			
Dividends to Parent Company		-815.9	-
Group contributions received		-	-
Group contributions paid		-134.1	-98.5
Shareholders' contributions received		-	60.7
Cash flow from financing activities		-950.0	-37.8
Net cash flow for the year		457.1	109.0
Cash and cash equivalents, 1 January		682.3	573.3
Cash and cash equivalents, 31 December		1,140.0	682.3

Supplementary information to cash-flow statement

SEK M	2014	2013
Interest paid and received and dividends received		
Dividends received	-	6.1
Interest received	138.8	281.6
Interest paid	-4.9	-12.2
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	40.3	63.7
Unrealised changes in currency	94.1	-19.1
Unrealised changes in value of investment assets	-118.5	668.6
Capital gains/losses from partnerships	-113.7	-107.0
Impairment of shares in Group companies	100.0	-
Technical provisions after ceded reinsurance	-7,169.7	-761.9
Change in prepaid acquisition costs	3.2	-2.0
Pension provisions	-3.5	0.9
Provision for tax allocation reserve	39.5	10.0
Other provisions	-0.3	-22.2
	-7,128.6	-169.0
Cash and cash equivalents		
Cash and bank balances	651.1	174.6
Receivables from Group companies		
Länsförsäkringar Bank	408.5	326.6
Länsförsäkringar AB, Group bank account	80.4	181.1
	1,140.0	682.3

Notes to the financial statements

All figures in SEK M unless otherwise stated.

1 ACCOUNTING POLICIES

Company information

The Annual Report for Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681 pertains to the fiscal year 1 January–31 December 2014. Länsförsäkringar Sak Försäkringsaktiebolag is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13, SE-106 50 Stockholm, Sweden.

The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020), with its registered office in Stockholm. The Parent Company in the largest Group in which Länsförsäkringar Sak Försäkringsaktiebolag is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ). Länsförsäkringar Sak Försäkringsaktiebolag does not prepare its own consolidated financial statements with reference to Chapter 7, Section 2 of the Swedish Annual Accounts Act.

Compliance with standards and legislation

Länsförsäkringar Sak's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general guidelines of the Swedish Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), and the Swedish Financial Reporting Board's recommendation RFR 2.

Länsförsäkringar Sak applies legally restricted IFRS. These accounting policies comply with International Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, as far as possible within the framework of Swedish law. This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. This means that the Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRSs.

The Annual Report was approved for publication by the Board of Directors and President on 4 March 2015. Final adoption of the Annual Report will take place at the 2015 Annual General Meeting.

Conditions relating to the preparation of the financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million with one decimal point (SEK M). Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value or amortised cost. The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates, as made by management, are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may

deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. The valuation of the company's provisions is described in the section below concerning the recognition of insurance contracts and in note 2, which provides information on risks in the operations.

Significant judgements applied to the company's accounting policies
Significant judgements in the application of accounting policies were made in conjunction with the decision to change the reporting of indexation of annuities from 2011. The purpose of the change is to provide a truer and fairer view of the company's claims costs and key figures for the insurance operations. The accounting policies under Investment income below provide a more detailed definition of the judgements made.

Amended accounting policies

Amended reporting standards

New standards and amendments to standards adopted by the EU that are to be applied from 1 January 2014 did not entail any significant changes to the company's financial reporting.

IFRS 10 Consolidated Financial Statements. This standard entails a change to the definition of what comprises a controlling influence. A controlling influence exists when a company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to use its influence to affect those returns through its power over the investee. This standard does not affect the company's accounting policies since the company does not prepare consolidated financial statements and instead is included in Länsförsäkringar AB's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities. This is a new standard for disclosures on investments in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. This standard does not affect the company's accounting policies since the company does not prepare consolidated financial statements and instead is included in Länsförsäkringar AB's consolidated financial statements. Länsförsäkringar Sak does not have any investments in unconsolidated structured entities.

IAS 32 Financial instruments: Presentation. This amendment clarifies the principles when offsetting financial assets and liabilities is permitted. The amendment did not have any material impact on the company's recognition of financial instruments.

New IFRSs that have not yet been applied

A number of new or amended IFRSs will come into effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or amended IFRSs may have on the company's financial statements are described below.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The ISAB has finalised IFRS 9, which contains new requirements for recognition and measurement of financial instruments. This includes an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 will take effect on 1 January 2018 and early adoption is permitted provided that the EU adopts the standard. The EU plans to approve the standard in 2015.

The categories of financial assets under IAS 39 will be replaced by three categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification into these three categories is based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces an "accounting mismatch." Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value not held for trading in other comprehensive income instead. The rules regarding financial liabilities are largely consistent with the IAS 39 rules, except for financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rate.

The impairment model requires recognition of the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to correspond to the full lifetime expected credit losses. The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9 Recognition and Measurement. The company does not have any financial liabilities measured according to the fair value option or any relevant assets for the new impairment model, and does not apply hedge accounting, and therefore these rules are not deemed to have any effect. Neither has the company decided whether to apply early adoption of the new principles since IFRS 9 has not yet been approved by the EU.

Apart from the above, no other new elements are to have any material impact on the company's earnings or financial position.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and capitalised in shares and participations with the donor.

Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends, in accordance with the main rule in RFR 2. Group contributions paid to a subsidiary are recognised as an increase in participations in Group companies. Group contributions paid or received from the Parent Company aimed at reducing the Group's total tax are recognised directly against equity after deductions for their current tax effects since, in accounting terms, the Group contributions are equated with dividends and shareholders' contributions.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK when they are recognised in the accounts at the exchange rate on the date of the transaction. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences that arise as a result are recognised in profit and loss as exchange-rate gains/losses under earnings for asset management. The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all subsidiaries and associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the business planning process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key. See note 41 Disclosures on related parties.

Insurance contracts

Insurance contracts are contracts in which Länsförsäkringar Sak undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on insurance risk. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. An analysis of these was performed within Länsförsäkringar Sak and resulted in most insurance contracts being classified with insurance risk. Some insurance contracts of minor value were identified for which the risk is not transferred to another party. Since these are of marginal value, all contracts have been classified according to the concept of materiality as insurance contracts.

Länsförsäkringar Sak performs a loss survey of connections in its insurance provisions to ensure that the carrying amounts of the provisions are sufficiently high for the expected future cash flows.

Premium income

Premium income is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned correspond to the portion of the premium income that is earned. Unearned premiums are recognised under Provision for unearned premiums.

Claims payments

Claims payments correspond to the expense in the accounting period for incurred claims, both those reported to the company and those not reported. Total claims payments include claims paid during the period and changes in provisions for claims outstanding. Claims recoveries are recognised as a reduction of claims costs.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses.

Investment income

Investment income transferred from financial operations

The insurance operations have been assigned an interest rate based on the total of half of the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest, which for 2014 was set at 1% for short-term contracts and 1.9% for long-term contracts.

The accounting policy has been changed from 2011 so that the amount of transferred investment income that corresponds to the indexation of annuities is transferred to claims payments and included in the change in the provision for claims outstanding item.

Subsequently, the net investment income that is transferred from the financial operations/to the insurance operations is an increased capital cost corresponding to the effect of the indexed annuities.

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivative, cash and cash equivalents and loans. Dividends received, any impairment of financial assets and external expenses for asset management are included in investment income.

Investment income also includes realised gains or losses on investment assets and derivatives. Realised gains and loss is calculated as the difference between the purchase consideration received and the cost of the asset.

In the insurance operations, provision for claims outstanding is discounted on annuities; the effect of interest-rate revaluations on annuities is recognised in Investment income, net.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value are reversed as unrealised gain and loss.

Tax

Tax is recognised in accordance with IAS 12. Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account

for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets and liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment annually. The useful life has been set at five years.

Other intangible assets

Other intangible assets comprise proprietary and acquired intangible assets with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The company's proprietary intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense when they arise.

The amortisation period is determined based on the useful life which is five years, except for the customer register for group accident insurance and group health insurance, which has a useful life of eight years. Amortisation takes place in the income statement according to the straight-line method. Impairment testing takes place annually. Additional expenses for capitalised intangible assets are recognised as an asset in the statement of financial position only when these expenses increase the future financial benefits of the specific asset to which they pertain.

Investment assets

Shares and participations in Group and associated companies

Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in the note on Information about offsetting.

Classification and measurement

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. Following initial recognition, the classification determines how the financial instrument is measured. Financial instruments that are not derivatives are initially recognised at fair value, which corresponds to the cost with additions for transaction costs, although no addition for transaction costs is made for instruments classified as Financial assets measured at fair value in profit and loss.

Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to. For certain financial instruments where the fair value is not continuously determined, the company applies the option of measuring the instrument at fair value using the fair value option.

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: Financial assets measured according to fair value option and Held for trading. The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as financial assets measured at fair value in profit and loss. The category of Financial assets measured according to fair value option comprises the items of Interest-bearing securities issued by Group companies and loans to Group companies, Shares and participations, Bonds and other interest-bearing securities and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

The "Held for trading category" comprises derivatives that have a positive market value.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or listed on an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items of Deposits with companies that have ceded reinsurance, Receivables, direct insurance, Receivables, reinsurance, Other receivables, Cash and bank balances and Prepaid expenses and accrued income.

Financial liabilities measured at fair value in profit and loss

This category comprises two sub-groups: Financial liabilities measured according to fair value option and Held for trading. Changes in fair value of financial liabilities measured at fair value in profit and loss are recognised as Unrealised gains and Unrealised losses on investment assets, respectively.

The company has no financial liabilities in the category of Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company has chosen to classify derivatives that have a negative market value in the category of Held for trading.

Other financial liabilities

The category of Other financial liabilities comprises the items Deposits from reinsurers, Liabilities, direct insurance, Liabilities, reinsurance, Other liabilities and Accrued expenses and deferred income. Liabilities in this category are measured at cost.

Methods for determining fair value

The note on Fair value valuation techniques states the financial instruments measured at fair value and the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments listed on an active market

The largest portion of the company's financial instruments are measured at fair value using prices listed on an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be listed on an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments listed on an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are measured according to Level 2), Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The company has OTC derivatives, for example, that are not traded on an active market. The valuation techniques applied are based on market data as far as possible, and company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are measured using valuation techniques, debt securities in issue are listed on an active market and are measured according to Level 1), Shares and participations and Derivatives.

If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items Shares and participations, bonds and Other interest-bearing securities and Other financial investment assets.

Impairment tests for property and equipment and intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. The recoverable amounts of goodwill and intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in profit and loss. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of impairment of a financial asset. Objective evidence comprises observable circumstances that have occurred and have a negative effect on the possibility to recover the cost.

The recoverable amount for assets belonging to the category of loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Other recognised impairments are reversed when there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. Impairment losses on goodwill are never reversed. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Property and equipment

Property and equipment are recognised as an asset in the balance sheet if it is probable that Länsförsäkringar Sak will receive future financial benefits and the cost of the asset can be calculated reliably.

Property and equipment are recognised at cost after deductions for accumulated depreciation and any impairment loss, plus any revaluations.

The carrying amount of a tangible asset is derecognised from the balance sheet in conjunction with disposal or divestment, or when no future financial benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses.

Depreciation takes place straight-line over the asset's estimated useful life. Depreciation and any scrapping and divestments are recognised in profit and loss. IT equipment is depreciated over three years according to plan. Other machinery and equipment is depreciated over five years according to plan. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Cash and bank balances

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions. The Group account was classified as a receivable from the Parent Company and is included in the line Other receivables.

Prepaid acquisition costs for insurance contracts

Selling expenses that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. The selling expenses that are to be capitalised are commission expenses. In the non-life insurance operations, the capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Untaxed reserves

Changes in untaxed reserves are recognised, according to Swedish practice, in profit and loss of each company under appropriations.

The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet, of which 22% can be considered to be deferred tax liabilities and 78% as restricted equity.

Untaxed reserves are offset, where appropriate, against loss carry-forwards or are subject to taxation when they are dissolved.

Contingency reserve

The contingency reserve is a collective contingency-related strengthening of technical provisions. Access is limited and requires official permission in certain cases. Reversal can only take place against losses in the insurance operations or for lower volumes in the insurance operations.

Technical provisions

Technical provisions comprise provision for unearned premiums and unexpired risks and provision for claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit and loss.

Provision for unearned premiums and unexpired risks

The provision for unearned premiums and unexpired risks is designed to cover the expected claims cost and operating expenses during the remaining time to maturity of insurance contracts already in force. Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. If the provision for unearned premiums is deemed to be insufficient to cover expected remaining claims costs and operating expenses, it is strengthened with a supplement for unexpired risks.

Provision for claims outstanding

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also

includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are generally used as a basis for estimating provision requirements. Individual assessments are made in the case of major separate claims and claims involving complex liability conditions. With the exception of annuities and certain insignificant amounts of accident insurance, the provision for claims outstanding is not discounted. The provision for annuities is estimated in line with customary life-assurance methods and discounted to market interest rates under FFFS 2013:23. The effect of interest-rate revaluations is recognised as a financial expense or income.

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time. With the exception of annuities, the provision for claims outstanding is not discounted.

Review of losses

The sufficiency of technical provisions is tested on an ongoing basis in conjunction with the annual accounts. The provisions established for claims outstanding and for unearned premiums are evaluated individually. Provisions for claims outstanding are based on estimated future payment flows. Accepted actuarial methods for the basis of forecasts of provision requirements. These methods include assessments of the current status of all contractual cash flows and other associated cash flows, for example, claims adjustment costs. Future cash flows are calculated without discounting. If testing reveals that the provisions are insufficient, the change is recognised in profit and loss.

The sufficiency of provisions for unearned premiums is tested by line of business. Any insufficiency observed in the premium liability is corrected by establishing a provision for unexpired risks. The change in the provision for unexpired risks is recognised in profit and loss.

Reinsurance

Contracts signed between Länsförsäkringar Sak and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner.

For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Liabilities in reinsurance primarily comprise settlements against regional insurance companies and premiums to be paid for reinsurance contracts.

The reinsurers' portion of technical provisions corresponds to the reinsurers' responsibility for technical provisions in accordance with signed contracts. Länsförsäkringar Sak assesses the impairment requirements of assets for reinsurance contracts twice a year. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit and loss.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

Pensions

Pensions through insurance

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Defined-benefit pension plans

The company has a defined-benefit pension plan. The plan is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62. The company has established provisions for the potential future cost that will arise if an employee takes advantage of the benefit of retiring between the ages of 62 and 65, see note 33 Pensions and similar commitments and note 42 Pledged assets and contingent liabilities.

Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The statement was recognised in accordance with the indirect method.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from past events and whose occurrence is confirmed only by one or more uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

2 RISKS AND RISK MANAGEMENT

Conducting insurance operations involves risk-taking. Knowledge about risks is a core area of expertise in the insurance industry. An increasingly volatile financial market, and more detailed regulations, impose more rigorous demands on financial companies, particularly risk management. The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that the capital base is adequate in relation to the risks taken. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers. The ultimate owners of the Länsförsäkringar Alliance are also its customers and, accordingly, efforts to govern, manage and control risks are of immediate importance to customers.

Principles of Länsförsäkringar Sak's risk management

Risks constitute a significant aspect of Länsförsäkringar Sak's operational environment and business activities. To manage the risks, Länsförsäkringar Sak has clearly defined strategies and areas of responsibility, together with a strong commitment to the risk-management process. Risk-management activities are implemented as part of the daily work of all units at Länsförsäkringar Sak. Länsförsäkringar Sak's risk-taking, which also includes Länsförsäkringar Gruppliv and Agria, is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5% and the company maintains a credit rating of a minimum of level A. A compatible capital adequacy target is to be presented to the Board of Directors for a decision every year. The capital target is a target for the capital ratio between available capital and risk-based capital requirements measured according to the capital-requirement rules under Solvency II. The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that the capital base is adequate in relation to the risks in the operations. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers.

A variety of analysis tools and simulation models are used at Länsförsäkringar Sak in its risk management activities. An aggregated risk profile for the company including subsidiaries is calculated and reported to the Board every quarter. Non-life insurance risk and market risk are calculated in accordance with current regulations (traffic-light model) and in accordance with an internal risk model based on the future Solvency II rules, which are calibrated to indicate the risk of insolvency occurring within 12 months with a maximum of 0.5% probability. Länsförsäkringar Sak intends to acquire approval for its partial internal model for calculating capital requirements under Solvency II.

The quarterly risk report is to provide a complete overview of the company's, including subsidiaries, risk situation, measured using the company's Solvency II adapted internal model, Länsförsäkringar's Internal Model (LIM). The reports also cover the limits set by the Board for selected parts of the management and the currently applicable Solvency I rules (traffic-light model). The company has a satisfactory solvency margin measured using both models.

Risk management organisation

The Board of Directors of Länsförsäkringar Sak is responsible for ensuring appropriate risk management and follow-up of the company's risks. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities. The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and also identifying new risks. An Own Risk and Solvency Assessment (ORSA) is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frame-

works for the company's risk management and risk control based on internal rules in various governance documents. The President is responsible for incorporating these governance documents into the operations. Examples of Group-wide governance documents for Länsförsäkringar are the Group manual for Länsförsäkringar AB, reporting manual, guidelines for handling ethical issues, authorisation manual and security policy. In addition to the Group-wide governance documents in the Länsförsäkringar AB Group, the Länsförsäkringar Sak Group and the companies included in the Länsförsäkringar Sak Group have their own governance documents, such as the Non-life Group manual, risk policy, authorisation manual, investment guidelines and insurance policy. The governance documents are updated and then approved by the Board once each year. The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines, allocation mandates and up-to-date sub-limits for various market-risk categories in the company. The Board also makes decisions on maximal levels of market risk. Furthermore, the Board decides on the extent and direction of reinsurance cover and on the maximum levels of insurance risk for assumed international reinsurance.

Länsförsäkringar Sak has a Risk and Capital Committee whose duties include supporting the Board's work by examining and assessing risk-taking and capital requirements.

There is an Investment Committee at management level Länsförsäkringar Sak which prepares decisions on asset management issues. The Committee examines and prepares proposals regarding management of the company's investment assets. Representatives for Länsförsäkringar Sak's corporate management and the Asset Management Unit sit on the Committee. The Risk Control function is co-opted to meetings.

Ongoing management and follow-ups of different risks are performed in the business operations. Each business area at Länsförsäkringar Sak is responsible for identifying, measuring, monitoring, handling and reporting risks in their own specific areas. Risks inherent in Länsförsäkringar Sak's investment assets (market risks) are managed by the Group-wide Asset Management Unit. Asset Management also manages counterparty risk in financial derivatives and operational risks in the area of asset management. Insurance risks and counterparty risk other than counterparty risk in financial derivatives are managed by each business area.

The Risk Control function is responsible for the independent risk control, which is separate from the business operations and reports to the President and Board. The Risk Control function is also responsible for keeping the President and Board continuously informed of the company's overall risk profile by submitting risk reports at least four times a year. Furthermore, the function is to ensure that annual risk analyses of operational risks are conducted in all business areas and at management level in Länsförsäkringar Sak.

The Compliance function provides support for ensuring that the operations maintain a high level of regulatory compliance. The function identifies and reports on risks that may arise as a result of non-compliance with regulatory requirements.

Internal Audit, which reports directly to the company's Board, is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

The Audit Committee monitors the quality of the financial reporting including the effectiveness of the internal control over the financial reporting. Operational risks and the corporate governance system including the systems for internal governance and control are also monitored.

Monitoring and governance of risk-taking and solvency

The impact of risk on the available capital is continuously monitored and capital management is closely related to the control of risk-taking. The company's Own Risk and Solvency Assessment (ORSA) including a plan

for financing the Länsförsäkringar Sak Group's operations is prepared in conjunction with the annual business planning, and in the interim whenever necessary. The aim of this plan, which sets out the planned structure of the capital base and risks in the Länsförsäkringar Sak Group, is to ensure that, at any given time, Länsförsäkringar Sak has a sufficient buffer of capital to meet the risks generated by the operations. Risk exposure, capital requirements and available capital are continuously monitored and reported to the Board every quarter or more often if dictated by the circumstances. Länsförsäkringar Sak has a capital base that exceeds the statutorily required solvency margin by a healthy margin. Länsförsäkringar Sak, which is obliged to submit reports under the Financial Supervisory Authority's traffic-light model in accordance with the indebtedness rules, reported significant capital surpluses in relation to the requirements imposed by the test.

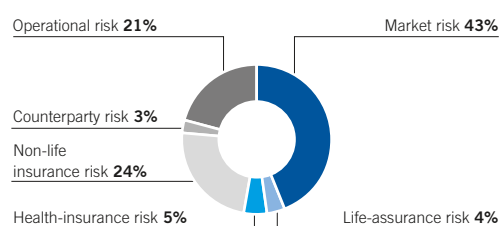
Risk profile

Länsförsäkringar Sak is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment. The following points describe Länsförsäkringar Sak's operations and risk-taking:

- Conducts operations in non-life insurance and, until 30 December 2014 when a portfolio of motor third-party liability insurance and annuities were transferred to the regional insurance companies, annuities operations with discounted technical provisions.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- The operations are primarily conducted in Sweden. The company also conducts internationally assumed reinsurance.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- The risks in the investment assets managed by Länsförsäkringar Sak for own account are held at a relatively low level.
- Länsförsäkringar Sak is indirectly exposed to insurance risk, market risks and property risk that arises in its holdings in subsidiaries. The Non-life Group includes Agria, Länsförsäkringar Gruppliv and the property companies Utile Dulci and Länsförsäkringar Sak Fastighets AB.

The Länsförsäkringar Sak Group's overall risks are measured in the quarterly risk report, in which the insurance, market and property risks of the non-life insurance company and its subsidiaries are analysed and measured. The figure below shows the allocation of risk in the Länsförsäkringar Sak Group on 30 September 2014 classified by risk categories. The life-assurance risk and reserve risk in motor third-party liability insurance (included in the non-life insurance risk in the diagram below) are reduced due to the transfer of the motor third-party liability portfolio and annuities that took place on 30 December 2014. Interest-rate risk (which is included in market risk in the diagram below) also reduces slightly due to lower interest-rate risk in liabilities and assets, although with a minor net effect since the interest-rate risk in the liability transferred was largely matched with a liability hedge.

Figure 1. Specification of total capital requirement Q3 2014



Specification of total capital requirement Q3 2013

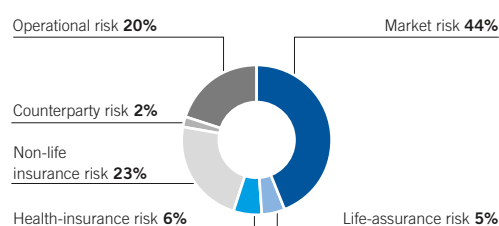


Figure 2. Classification of risk at Länsförsäkringar Sak

Non-life insurance risk Premium risk Reserve risk Catastrophe risk	Life-assurance risk Mortality risk Longevity risk Catastrophe risk	Market risk Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets	Counterparty risk Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk
Operational risk Internal fraud External crime Labour practices and work environment Business conditions Compliance risk Damage to physical assets Interruptions and disturbances to operations and systems Transaction management and process control	Health-insurance risk	Liquidity risk including financing risk	Concentration risk in insurance operations
Business risk Strategic risk Earnings risk Reputation risk			

The following sections describe the Länsförsäkringar Sak Group's overall risks and their governance and management. A brief description is provided for each specific risk and information about the level of exposure to the risk if it is possible to quantify. The diagram shows the classification of risk at Länsförsäkringar Sak.

Non-life insurance risk

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. The insurer collects premiums from a large number of policyholders and undertakes to compensate them if an insured loss occurs. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavourable results may occur. Reinsurance is a strong instrument for reducing the fluctuation in the earnings of insurance operations.

The insurance operations in Länsförsäkringar Sak comprise the insurance classes Accident and Health, Commercial, Motor Hull, Motor Third-Party Liability, Marine, Air and Cargo, and Assumed Reinsurance. In 2014, business was underwritten in the insurance classes of health, health care, accident, property, marine and cargo and casualty insurance. In addition, insurance cover is provided for nationwide customers in the commercial automotive area (motor third-party liability insurance and motor-hull insurance), run-off motor third-party liability insurance and annuities operations. However, at year-end, the two latter were transferred out of the company through a combination of a portfolio transfer and reinsurance to the regional insurance companies. The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance. Where appropriate, the Board limits insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance.

Non-life insurance risks can be divided into premium risks, reserve risks and catastrophe risks. The implications of these terms and Länsförsäkringar Sak's general methods for handling these types of risk are described below.

Table 1 shows how changed premiums earned, increased claims costs and higher claims inflation impact Länsförsäkringar Sak's earnings. The impact on earnings was lower for 2014 compared with 2013 due to a smaller portfolio resulting from the transfer of run-off motor third-party liability insurance and annuities in 2014

Table 1. Sensitivity analysis, non-life insurance risks, SEK M

	Impact on profit before tax		Impact on equity	
	2014	2013	2014	2013
10% lower premium level	-148	-186	-115	-145
10% increased claims frequency or higher average claim	-86	-136	-67	-106
1% higher annual claims inflation	-207	-608	-161	-474

Premium risk

Premium risk is the risk of losses arising due to the coming year's claims being greater than expected.

In the lines of business such as accident and health insurance, a large number of independent risks are added, resulting in a favourable balancing of risk, provided that the premium tariffs reflect the actual risk differences between the various groups in the insurance collective. Tariffs and insurance conditions are monitored regularly and adjusted when required. In other lines of business, risk selection rules and risk inspection are the

key instruments for monitoring premium risk, alongside premium calculation. The company also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, claims-prevention measures are also implemented in the form of, for example, advisory services, thereby further improving the company's risk.

The business activities conducted by Länsförsäkringar Sak and its subsidiaries entail that insurance risks (risk of having to pay claims, morbidity risk and life-assurance risk including catastrophe risk) are consciously taken as part of performing the business operations. Accordingly, such risks are desirable, provided that they are taken as part of executing an approved business strategy and in accordance with the regulations that have been established for each operation. The company endeavours to maintain a favourable risk balance between different types of business and within each line of business. Insurance risk is limited by structuring insurance terms and individual insurance contracts to give a desirable level of risk exposure and by using reinsurance cover to limit risk-taking in the necessary lines of business. Catastrophe risk in insurance risk is managed through reinsurance cover. Reinsurance needs are specified based on risk analyses in the business operations with support from Business Area Reinsurance. The total risk exposure (risk appetite) in insurance risk is calculated as a part of the company's total risk in the ORSA. A specific limit for total insurance risk has also been established for internationally assumed reinsurance, expressed as a maximum solvency requirement (Solvency II) measured according to LIM.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance, as described above. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product. The "Guidelines for ceded reinsurance document" states the limits per counterparty and limits for retention and also limits the use of reinsurers to companies with high credit ratings. Reinsurance for motor third-party liability insurance is managed on the basis of a pool solution in the Länsförsäkringar Alliance, which in turn is protected with external reinsurance cover.

Table 2. Reinsurance per claim incident, SEK M

	31 Dec 2014		31 Dec 2013	
	Retention	Cover	Retention	Cover
Motor third-party liability insurance	40	300	40	300
Casualty insurance	30	300	30	300
Marine and cargo insurance	5	1,000	5	1,000
Accident insurance	20	600	20	600

The reinsurance cover described in table 2 pertains to external counterparties. The external retention for motor third-party liability cover amounts to SEK 40 M, although the retention is reduced to SEK 2 M on the basis of reinsurance in the Länsförsäkringar Alliance of SEK 38 M. In addition to the information stated in the table, reinsurance cover is also purchased for internationally assumed reinsurance.

In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance contracts extend for one calendar year. Cover for motor third-party liability insurance is adjusted to match the limits defined in the Swedish Traffic Damage Act. For claims insured abroad, there is supplementary insurance that provides unlimited cover.

Reserve risk

Reserve risk is the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding. The total undertaking for current insurance policies and for net claims outstanding amounts to approximately SEK 15.7 billion (18.5). An estimate of the cost of net claims outstanding – about SEK 15.2 billion (18.0) – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. The reinsurance cover described above limits risk and the provision for gross claims outstanding as per 31 December 2014 amounted to SEK 3.7 M (10.8). The decline was due to almost all of the portfolio of the reserve for run-off motor third-party liability insurance and annuities being transferred to the regional insurance companies in December 2014.

The trend in reserves is tracked continuously by means of various key figures and using comparisons with other insurance companies. The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed.

The average duration in Länsförsäkringar Sak's insurance portfolio is 4.6 years (8.6), and declined compared with 2013 due to the portfolio transfer of run-off motor third-party liability insurance and annuities at the end of 2014. As the large percentage of motor third-party liability insurance in the portfolio declines, changes in claims inflation do not have

the same significant impact on reserve requirements. The following diagram shows how the expected payments of claims outstanding, calculated at present value, are distributed according to tenure. Table 3 shows the trend in estimated claims costs before reinsurance.

Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Länsförsäkringar Sak has a certain level of exposure to catastrophe risks for own account. Länsförsäkringar Sak manages common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural catastrophes where Länsförsäkringar Sak assumes a certain level of risk for own account. The other operational area where Länsförsäkringar Sak, for own account, is exposed to certain catastrophe risk is in the internationally assumed reinsurance.

Life-assurance risk

Life-assurance risk at Länsförsäkringar Sak derives from the annuities operations which are subject to longevity risk. Longevity risk is the risk of losses arising due to the insured living longer than assumed and declined sharply at the end of the year due to the portfolio transfer of annuities to the regional insurance companies.

Table 3. Estimated claims costs before and after reinsurance

SEK M	2008	2009	2010	2011	2012	2013	2014	Total
At end of claim year	965.6	1,114.7	1,084.2	1,024.0	912.9	1,002.9	1,058.5	
One year later	959.3	1,120.8	1,272.1	1,094.6	915.1	884.3		
Two years later	957.3	1,088.7	1,228.4	1,036.1	962.6			
Three years later	945.6	1,087.0	1,181.3	1,038.5				
Four years later	951.6	1,092.9	1,165.2					
Five years later	963.9	1,099.9						
Six years later	949.9							
Estimated claims costs	949.9	1,099.9	1,165.2	1,038.5	962.6	884.3	1,058.5	
Accumulated claims payments	819.4	950.0	935.8	825.1	706.0	615.3	401.2	
Provision for claims payments	130.5	149.9	229.4	213.3	256.6	269.0	657.3	1,905.9
Provision for claims payments, older year classes								1,196.9
Provision for claims payments for assumed reinsurance								10,277.4
Total provision for claims payments, gross								13,380.3
Annuity reserve, gross								1,568.9
Claims adjustment reserve, gross								245.0
Provision for claims outstanding, gross								15,194.2
Provision for claims payments, reinsurers' portion								-10,143.6
Annuity reserve, reinsurers' portion								-1,359.5
Claims adjustment reserve, reinsurers' portion								0.0
Provision for claims outstanding, reinsurers' portion								-11,503.0
Provision for claims outstanding, for own account								3,691.2

Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument or a property will vary due to changes in market prices. In the management of Länsförsäkringar Sak's assets, assessments are made of the potential for favourable returns and the risk level involved for investment strategies. The classes of assets in asset management are equities, interest-bearing securities and property. The aim of management is to generate the highest possible returns given the selected level of risk within the framework of legal restrictions and applicable guidelines resolved by the Board. The Board assumes the overall responsibility by making decisions on the maximal market risk for the company that may not be exceeded.

The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines, allocation mandates and up-to-date sub-limits for various market-risk categories in the company.

Asset management is responsible for the daily risk monitoring in accordance with the sub-limits for the various risk categories decided by the Board, in addition to the total maximum market risk. Changes in interest rates, exchange rates, share prices and prices of commodities, as well as changes in their individual volatilities, influence the market values of financial assets and liabilities. Derivative instruments are increasingly utilised in the management of investment assets in order to achieve the desired risk profile.

The sensitivity analysis in table 4 below shows the effect on profit before tax and the impact on equity of several different negative outcomes for Länsförsäkringar Sak. The table shows how changes in the financial markets affect the asset values in the portfolio and in the case of the real interest rate also the effect on annuities, which impacts the value of liabilities. The effect of higher real interest rates reduced in 2014 compared with 2013 since large parts of the portfolio of annuities were transferred to the regional insurance companies on 30 December 2014.

Table 4. Sensitivity analysis, market risks

SEK M	Impact on profit before tax		Impact on equity	
	2014	2013	2014	2013
Interest-rate risk: 1% higher interest rate	-22.1	-50.4	-17.2	-39.3
Equities risk: 10% low share prices	-3.8	-3.2	-2.9	-2.5
Credit-spread risk: 1% higher credit spread	-96.0	-96.7	-74.9	-75.4
1% higher real interest rate (including impact on annuities)	-1.7	-50.2	-1.3	-39.1

Interest-rate risk

Interest-rate risk is the risk of losses arising due to changes in the level or volatility of market interest rates. The desired risk level is described and a desired target decided for the duration with a permitted deviation interval. For the majority of Länsförsäkringar Sak's insurance undertakings, the value is not determined based on the market interest rate, according to applicable accounting rules, meaning that technical provisions are not discounted in accordance with the present-value principle as of today. One exception is insurance undertakings for annuities, most of which comprise the portfolio transfer as per 30 December 2014 and they are discounted according to instructions from the Swedish Financial Supervisory Authority. The interest-rate risk in annuities operations was managed during the year using real return bonds which provide sound matching of the real interest-rate risk in the reserve.

Länsförsäkringar Sak takes into account the sensitivity to changes in interest-rate levels on the technical provisions according to the Solvency II valuation principles in the company's ORSA. Risk-taking is managed by making conscious decisions regarding the extent to which undertakings are matched to assets with corresponding properties. The insurance undertakings are presented in table 8 at the end of this note.

Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative assets. As stated in the balance sheet, equities exposure in Länsförsäkringar Sak is low. The significant exposure that exists is attributable to strategic holdings and indirect holdings via hedge funds, although the latter is not included in the sensitivity analysis for market risk above. See notes 20, 22 and 23 for more information.

Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. Decisions on the size of the portion of the portfolio that is to comprise bonds or other interest-bearing instruments with credit risk are made in light of prevailing market conditions and the sub-limits for credit-spread risk decided by the Board. As table 6 shows, the predominant proportion of Länsförsäkringar Sak's bond investments are invested in AAA-rated, Swedish government and mortgage-backed securities.

Table 5. Credit quality of assets

	SEK M	
	2014	2013
Loans to credit institutions		
A	1,131.7	501.2
The amount of loans to credit institutions includes SEK 480.5 M (326.6) that pertains to receivables from Länsförsäkringar Bank. These are classified as other receivables in the balance sheet.		
Bonds and other interest-bearing securities (market values including accrued interest)		
AAA – Swedish Government	372.0	5,864.2
AAA	707.5	3,329.7
AA	86.0	14.5
A	336.7	440.7
BBB	273.0	85.9
BB	310.3	225.0
B	206.1	137.4
CCC	48.7	44.2
CC	1.7	–
No rating available	517.8	371.4
Total	2,859.8	10,512.9
Financial derivatives (exposure according to market values)		
AA	-2.6	-9.3
A	8.6	-5.3
Total	6.0	-14.6

Currency risk

Currency risk is the risk of losses arising due to changes in the level or volatility of exchange rates. The majority of Länsförsäkringar Sak's technical provisions are denominated in SEK. The minor currency exposure that exists derives from commitments in internationally assumed reinsurance in other currencies and from investment assets. The risk is limited to the desired level by the use of currency derivatives. The table below shows the impact on Länsförsäkringar Sak's earnings from changes in exchange rates.

Table 6. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

Currency	Impact on earnings before tax, SEK M	
	2014	2013
CHF	+/-0.3	+/-0.3
CNY	+/-0.1	+/-2.8
DKK	+/-0.0	+/-2.8
EUR	+/-1.9	+/-0.0
GBP	+/-0.1	+/-1.1
INR	+/-0.6	+/-1.7
JPY	+/-0.0	+/-0.1
KRW	+/-0.6	+/-1.0
NOK	+/-0.2	+/-0.1
NZD	+/-2.3	+/-2.0
PLN	+/-0.0	+/-0.1
RUB	+/-0.0	+/-0.1
USD	+/-1.5	+/-4.8

Property risk

Property risk is the risk of losses arising due to changes in the level or volatility of property prices. The property prices are primarily an effect of the assumptions made on applicable yield requirements and rental levels.

The property risk in Länsförsäkringar Sak overwhelmingly derives from the ownership of the office property in Stockholm that the Länsförsäkringar AB Group utilises for its operations, and holdings in a property company wholly owned by the Länsförsäkringar Alliance.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that any collateral provided not covering the receivable. Länsförsäkringar Sak's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Counterparty risks to reinsurers pertain to reinsurance receivables and reinsurers' portions of claims outstanding. Predetermined regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. For business with long settlement periods, reinsurers are to have a minimum A rating from the Standard & Poor's rating agency and a minimum BBB rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers, which guarantees overall high quality receivables. Table 7 shows the specification of rating category for purchased reinsurance cover for the Länsförsäkringar Sak Group, which includes Länsförsäkringar Sak, Agria and Länsförsäkringar Gruppliv.

The largest total reinsurance to a single company in 2014 was Partner Re (A) and comprised 15% (11) of the total external reinsurance receivable. The 10 largest reinsurance receivables comprising 46% (55) of the total external reinsurance receivables all had a rating of A or higher.

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

Table 7. Distribution of exposure of externally purchased reinsurance cover for the Länsförsäkringar Sak Group

Exposure for externally purchased cover for 2013 and 2014.	Percentage distribution per rating category	
	2014	2013
AAA	–	–
AA	39	47
A	45	49
BBB	13	3
No rating available ¹⁾	3	1
Total	100	100

¹⁾ 50% of Agria's reinsurance is with the regional insurance companies.

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events. Operational risks are a part of the operations of Länsförsäkringar Sak and its subsidiaries. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Sak and its subsidiaries can reduce the probability of operational risks materialising and thus reduce their consequences. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

Operational risk analyses are performed annually both at company level and in the operating activities. A joint method and reporting format are used in these analyses. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter. The Risk Control function facilitates analyses and aggregates results to each company's management group and Board. Risk Control also monitors and reports the implementation of the action plans during the year and performs checks to ensure the quality of the results of actions performed.

Shared system support for the entire Länsförsäkringar AB Group is used for incident management. Furthermore, a continuity plan is adopted annually by executive management. Business-critical processes and their associated risks have been analysed and documented to strengthen the internal control. In conjunction with this, the most important controls, known as key controls, were also documented.

Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions. Business risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the Länsförsäkringar Sak Group's markets require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in finan-

cial derivatives, discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. Länsförsäkringar Sak's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations. From 2004, most of Länsförsäkringar's motor third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance business underwritten up to and including 2003 was run-off within Länsförsäkringar Sak until 30 December 2014 when the portfolio of run-off motor third-party liability insurance was transferred to the regional insurance companies. Up until the transfer, the reserve risk in the Group's non-life insurance operations was heavily concentrated to the motor third-party liability insurance business. Of the total technical provisions after ceded reinsurance of SEK 4.2 billion (11.3), 4% (65) refers to the motor third-party liability insurance class of insurance, including annuities. The large decrease in the motor third-party liability line of business, including annuities, compared with the preceding year was due to the portfolio transfer of run-off motor third-party liability insurance and annuities that took place on 30 December 2014.

Länsförsäkringar Sak's investment assets are divided into several different classes of assets, however the focus is the strategic property holdings, which comprises the properties in which the company's office is located (Tegeluddsvägen in central Stockholm).

The greatest single investment asset on 31 December 2014 was the property in Stockholm that is owned indirectly through subsidiaries and

that the Group utilises. The property's market value amounted to SEK 2,175 M (2,250) at year-end, corresponding to 35.7% (16) of the investment assets. The other major exposures pertain to the four largest Swedish bank groups and mainly derive from investments in mortgage bonds.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. The non-life insurance companies' liquidity risks are low since premiums are received in advance and large claims payments are known well in advance of their maturity dates. In addition, most of the investment assets are available at short notice. Länsförsäkringar Sak's liquidity was highly favourable at year-end with cash and cash equivalents amounting to SEK 651.1 M (174.6). The high liquidity at year-end was due to the transfer of the run-off motor third-party liability insurance and annuities portfolio to the regional insurance companies that took place at that time. The investment guidelines stipulate limits for the desired level of liquidity.

Table 8 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. The amounts presented in maturities are undiscounted cash flows.

Table 8. Maturity analysis for financial assets and liabilities and insurance undertakings

SEK M	2014					2013				
	<3 months	3 months –1 year	1–5 years	> 5 years	Total	<3 months	3 months –1 year	1–5 years	> 5 years	Total
Assets										
Interest-bearing securities issued by Group companies and loans to Group companies	29	27	141	947	1,144	6	679.8	283	1,120	2,087
Bonds and other interest-bearing securities ¹⁾	477	67	836	77	1,457	5,545	893	2,408	791	9,637
Deposits with companies that have ceded reinsurance	49				49	55				55
Receivables, direct insurance	404				404	322				322
Receivables, reinsurance	305				305	178				178
Other receivables	265				265	2,793		1	4	278
Prepaid expenses and accrued income	21				21	92				92
Liabilities										
Technical provisions	661	1,771	3,809	7,874	14,114	726	1,944	3,532	7,946	14,148
Deposits from reinsurers	23				23	29				29
Liabilities, direct insurance	1,492				1,492	594				594
Liabilities, reinsurance	203				203	369				369
Other liabilities	294				294	176				176
Accrued expenses and deferred income	42				42	177				177
Total cash flows, net	-1,166	-1,677	-2,832	-6,850	-12,524	4,400	-372	-840	-6,032	-2,844
Derivatives, in and outflows, net	-55	2	8	16	-29	-14	-2	-	-	-16
Total cash flows for financial assets and liabilities and insurance undertakings	-1,221	-1,675	-2,824	-6,834	-12,553	4,386	-374	-840	-6,032	-2,861

¹⁾ The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and have been excluded from the table.

Technical provisions are recognised gross, before ceded reinsurance.

Solvency II – future risk-based regulatory requirements

Länsförsäkringar Sak has made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar Sak and its subsidiaries essentially meets the requirements of the EIOPA's guidelines as per 1 January 2014. This work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to improve work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns.

During the year, Länsförsäkringar Sak and its subsidiary Agria received a ruling that the Financial Supervisory Authority had assessed the company's partial internal model and the company will apply for permission to use the model to report its Solvency Capital Requirement prior the Solvency II regulations coming into effect. Länsförsäkringar Sak and its subsidiary Agria will thus be able to work with measures of capital requirement that are better aligned with the company's own risks in its operations than those in the standard formula of the rules. The capital requirements of the internal model already take into account the standpoints and decision-basis material for the governance of the company.

3 PREMIUM INCOME

	2014	2013
Direct insurance, Sweden	1,550.1	1,450.9
Direct insurance, other EEA	6.4	5.2
Assumed reinsurance	4,329.5	2,357.5
Total	5,886.0	3,813.6

4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS

	2014	2013
Transferred investment income	115.4	136.9
Interest rates, %		
Provisions for insurance policies with long-term claims in run-off, SEK	1.9	2.0
Provisions for insurance policies with short-term claims in run-off, SEK	1.0	1.4

The estimated return on the assets corresponding to the technical provisions is transferred from the financial operations to the technical result. The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The investment income is divided into two parts. Part is added to the annuities result by reducing the cost for the upward adjustment of the provision for annuities, and part is recognised as transferred investment income (see also Accounting policies).

5 CLAIMS PAID

	2014	2013
Claims paid ¹⁾	-6,258.1	-1,543.2
Operating expenses for claims adjustment	-159.1	-177.8
Total	-6,417.2	-1,721.0
¹⁾ Of which reinsurers' portion of annuity quota	-1,359.5	-

6 OPERATING EXPENSES

Total operating expenses by type of cost	2014	2013
Staff costs	-180.3	-172.6
Costs for premises	-23.8	-38.5
Depreciation/amortisation	-11.5	-34.9
Service income	26.3	39.1
Other expenses	-411.0	-522.2
Total	-600.3	-729.1
Total operating expenses by function	2014	2013
Operating expenses in asset management	-28.9	-105.1
Operating expenses for claims adjustment	-159.1	-177.8
Operating expenses for procurement and administration	-412.3	-446.2
Total	-600.3	-729.1
Operating expenses		
Acquisition costs ¹⁾	-282.0	-279.5
Change in Prepaid acquisition costs	-3.2	2.0
Administration expenses	-222.8	-286.2
Commission and profit shares in ceded reinsurance	95.7	117.5
Total	-412.3	-446.2
¹⁾ Of which, commission for direct insurance	-86.6	-93.7
Of which, expenses for the leasing of premises, equipment and IT equipment	-82.4	-83.3

The company rents premises, equipment and IT equipment from the Parent Company, Länsförsäkringar AB.

7 FEES AND REMUNERATION OF AUDITORS

The following fees have been paid to auditors

	2014	2013
KPMG AB, audit assignments	1.4	1.4
KPMG AB, audit activities in addition to audit assignment	-	-
KPMG AB, tax consulting	0	-
KPMG AB, other services ¹⁾	-	-

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments. Everything else comes under Other assignments.

8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2014	2013
Men	61	61
Women	90	85
Total number of employees	151	146

Salaries and other remuneration, as well as social security expenses, other employees	2014	2013
Salaries and remuneration	88.2	83.1
of which, variable remuneration	-	-
Social security expenses	59.8	56.3
of which, pension costs	24.9	23.9
	148.0	139.4

Board of Directors and senior executives, 13 (15)	2014	2013
Salaries and remuneration	9.8	10.5
of which, fixed salary to President	3.2	2.9
of which, variable salary to President	-	-
of which, fixed salary to other senior executives	6.4	6.4
of which, variable salary to other senior executives	-	-
Social security expenses	8.0	8.4
of which, pension costs	4.7	4.1
	17.8	18.9

Total salaries, other remuneration and social security expenses	2014	2013
Salaries and remuneration	98.0	93.6
of which, variable remuneration	-	-
Social security expenses	67.9	64.7
of which, pension costs	29.7	28.0
	165.9	158.3

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Remuneration and other benefits for senior executives (Amount in SEK 000s)

	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
2014						
Ann Sommer, President	3,175	–	2	1,399	4,576	44
Ingemar Larsson, Board member	183	–	–	–	183	
Göran Spetz, Board member	223	–	–	–	223	
Mariette Nicander, Board member	241	–	–	–	241	
Carl Henrik Ohlsson, Board member	223	–	–	–	223	
Magnus Olsson, Board member	149	–	–	–	149	
Ann-Christin Norrström, former Board member	111	–	–	–	111	
Axel von Stockenström, former Board member	74	–	–	–	74	
Mikael Sundquist, former Board member	111	–	–	–	111	
Other senior executives						
Parent Company (5 people)	6,345	–	98	3,356	9,799	52
Subsidiaries (2 individuals)	4,117	–	9	1,884	6,010	45
Total 2014	14,952	–	109	6,639	21,700	
Total remuneration from Parent Company	10,835	–	100	4,755	15,690	
Total remuneration from subsidiaries	4,117	–	9	1,884	6,010	

2013

Ann Sommer, President	2,892	–	2	1,258	4,152	43
Mikael Sundquist, Board member	223	–	–	–	223	–
Axel von Stockenström, Board member	178	–	–	–	178	–
Göran Spetz, Board member	178	–	–	–	178	–
Mariette Nicander, Board member	204	–	–	–	204	–
Carl Henrik Ohlsson, Board member	178	–	–	–	178	–
Ann-Christine Norrström, Board member	130	–	–	–	130	–
Kjell Lindfors, former Deputy Chairman of the Board	111	–	–	–	111	–
Other senior executives						
Parent Company (5 people)	6,385	–	25	2,854	9,264	44
Subsidiaries (2 individuals)	3,907	–	10	1,797	5,714	46
Total 2013	14,386	–	37	5,909	20,332	–
Total remuneration from Parent Company	10,478	–	28	4,112	14,618	–
Total remuneration from subsidiaries	3,907	–	10	1,797	5,714	–

Pension costs pertain to the impact on net profit for the year.

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 18% of the pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

Severance pay

A mutual period of notice of three months applies to the President. If termination of employment is issued by the company, the President is also to be entitled to severance pay corresponding to 24 monthly salaries during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %	31 Dec 2014	31 Dec 2013
Board members	40	33
Other senior executives	25	38

31 Dec 2014

Specification	Premiums & Motor third-party liability fees	Claims payments net after deductible	Investment income	Total deduction from Swedish Motor Insurers Other technical expenses
Forecast	2.5	-3.8	0.2	-1.1
Deduction	0.1	-18.6	0.0	-18.5
Total	2.6	-22.4	0.2	-19.5

31 Dec 2013

Specification	Premiums & Motor third-party liability fees	Claims payments net after deductible	Investment income	Total deduction from Swedish Motor Insurers Other technical expenses
Forecast	2.3	-3.4	0.1	-1.0
Deduction	1.7	18.9	0.1	20.7
Total	4.0	15.5	0.2	19.7

10

INVESTMENT INCOME, REVENUE

	2014	2013
Dividends		
Dividends on shares and participations	-	6.2
Interest income		
Bonds and other interest-bearing securities	85.0	211.2
Derivatives	28.0	9.7
Interest-bearing securities issued by Group companies and loans to Group companies	25.7	50.6
Interest income for financial assets that are not measured at fair value in profit and loss	10.8	10.1
Translation gain, annuity reserve	-	473.7
Exchange-rate gains, net	6.8	9.1
Capital gains		
Shares and participations	-	89.6
Profit from participations in partnerships (Group companies)	113.7	107.0
Bonds and other interest-bearing securities	568.6	-
Interest-bearing securities issued by Group companies and loans to Group companies	4.0	-
Total	842.6	967.2

11

INVESTMENT INCOME, EXPENSES

	2014	2013
Asset management expenses	-28.9	-105.1
Interest expense		
Derivatives	-3.8	-5.3
Interest expense for financial liabilities that are not measured at fair value in profit and loss	-1.0	-1.9
Translation, annuity reserve	-427.6	-
Capital losses		
Bonds and other interest-bearing securities	-	-30.4
Other financial investment assets	-0.3	-
Derivatives	-206.2	-
Impairment of shares in Group companies	-100.0	-
Total	-767.8	-142.7

12

INVESTMENT INCOME, PER MEASUREMENT CATEGORY

Gain/loss by measurement category	2014	2013
Financial assets measured according to fair value option	803.8	-367.8
Held for trading	-180.4	32.3
Loans and receivables	2.6	3.9
Other financial liabilities	-0.6	-1.6
Items not specified by category		
Exchange-rate gains	6.8	7.1
Translation, annuity reserve	-427.6	473.7
Asset management expenses	-28.9	-100.1
Non-financial items included in investment income, net	-19.4	72.6
Total	156.3	120.1

13

UNREALISED GAINS ON INVESTMENT ASSETS

	2014	2013
Shares and participations	4.1	-
Bonds and other interest-bearing securities	90.9	-
Derivatives	1.7	-
Other financial investment assets	21.8	7.6
Total	118.5	7.6

14

UNREALISED LOSSES ON INVESTMENT ASSETS

	2014	2013
Shares and participations	-	-85.8
Bonds and other interest-bearing securities	-	-590.4
Interest-bearing securities issued by Group companies	-3.1	-
Total	-3.1	-676.2

15

OTHER NON-TECHNICAL EXPENSES

	2014	2013
Amortisation, goodwill	-28.9	-28.9
Total	-28.9	-28.9

16 TAXES

	2014	2013
Current tax	-65.5	-36.0
Total current tax	-65.5	-36.0
Deferred tax		
Deferred tax expense pertaining to temporary differences	2.2	4.5
Total deferred tax	2.2	4.5
Total recognised tax income/expense	-63.3	-31.5
	2014	2013
Reconciliation of effective tax rate		
Profit before tax	280.2	139.0
Tax at applicable tax rate	-61.6	-30.6
Tax on non-deductible costs	-7.1	-7.3
Tax on non-taxable income	3.5	3.9
Tax attributable to earlier years	1.9	2.5
Total tax on net profit for the year	-63.3	-31.5
Current tax rate, %	22.0%	22.0%
Effective tax rate, %	22.6%	22.7%

Recognised deferred tax assets and tax liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
31 December	2014	2013	2014	2013	2014	2013
Intangible assets	-	-	-	-	-	-
Receivables	-2.8	-3.1	12.8	15.3	10.0	12.2
Utilisation of loss carryforwards	-	-	-	-	-	-
Deferred tax assets (-) / deferred tax liabilities (+)	-2.8	-3.1	12.8	15.3	10.0	12.2
Offset	-	-	-	-	-	-
Net deferred tax asset (-) / deferred tax liability (+)	-2.8	-3.1	12.8	15.3	10.0	12.2

The company has no temporary differences with tax effects in Group or associated companies.

Change in deferred tax in temporary differences and loss carryforwards

	Amount at 1 January	Recognised in equity	Recognised in profit and loss	Amount at 31 December
Receivables	12.2	-	-2.2	10.0
Deferred tax assets (-) / deferred tax liabilities (+)	12.2	-	-2.2	10.0

17 PROPERTY AND EQUIPMENT

	31 Dec 2014	31 Dec 2013
Cost		
Opening cost, 1 January	4.3	2.5
Acquisitions for the year	3.7	1.8
Divestments during the year	-0.3	-
Closing cost, 31 December	7.7	4.3
Depreciation		
Opening accumulated depreciation, 1 January	-0.9	-0.2
Depreciation for the year	-1.1	-0.7
Accumulated depreciation for divestments	0.1	-
Closing accumulated depreciation, 31 December	-1.9	-0.9
Carrying amount, 31 December	5.8	3.4

No impairment losses were recognised.

18 GOODWILL

	31 Dec 2014	31 Dec 2013
Capitalised acquisition cost of goodwill		
Opening cost	144.4	144.4
Closing cost	144.4	144.4
Amortisation		
Opening accumulated amortisation	-103.6	-74.7
Amortisation for the year	-28.9	-28.9
Closing accumulated amortisation	-132.5	-103.6
Carrying amount at year-end	11.9	40.8

19 OTHER INTANGIBLE ASSETS

	Internally developed IT systems	Acquired IT systems	Acquired customer- based assets	Total
Accumulated cost				
Opening cost, 1 January 2013	155.6	13.3	322.8	491.7
Acquisitions for the year	–	–	–	–
Reclassification, cost	–13.2	13.2	–	–
Closing cost, 31 December 2013	142.4	26.5	322.8	491.7
Opening cost, 1 January 2014	142.4	26.5	322.8	491.7
Acquisitions for the year	–	–	–	–
Closing cost, 31 December 2014	142.4	26.5	322.8	491.7
Accumulated amortisation				
Opening amortisation, 1 January 2013	–52.3	–10.6	–287.9	–350.8
Amortisation for the year	–14.3	7.7	–27.5	–34.1
Closing amortisation, 31 December 2013	–66.6	–2.9	–315.4	–384.9
Opening amortisation, 1 January 2014	–66.6	–2.9	–315.4	–384.9
Amortisation for the year	–1.2	–1.8	–7.4	–10.4
Closing amortisation, 31 December 2014	–67.8	–4.7	–322.8	–395.3
Accumulated impairment				
Opening impairment, 1 January 2013	–74.6	–	–	–74.6
Closing impairment, 31 December 2013	–74.6	–	–	–74.6
Opening impairment, 1 January 2014	–74.6	–	–	–74.6
Closing impairment, 31 December 2014	–74.6	–	–	–74.6
Carrying amount				
31 Dec 2013	1.2	23.6	7.4	32.2
31 Dec 2014	–	21.8	–	21.8

Acquisitions for the year pertain to proprietary systems. All intangible assets were amortised, see the accounting policies.

20 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Participating interest	Carrying amount, property	Market value, property	Equity 31 Dec 31 Dec 2014	Of which profit 2014	Carrying amount 31 Dec 2014
Försäkringsaktiebolaget Agria (publ)	516401-8003	Stockholm	40,000	100	–	–	557.8	159.9	823.8
Länsförsäkringar Sak Fastighets AB	556683-6416	Stockholm	1,000	100	67.9	483.6	68.0	0.0	68.0
Länsförsäkringar Grupplivförsäkrings AB (publ)	516401-6692	Stockholm	28,000	100	–	–	263.0	3.7	238.8
Utile Dulci 2 HB	916601-0067	Stockholm	3,996	100	1,242.2	2,172.8	637.8	113.7	835.1
Total 31 Dec 2014							1,526.6	277.3	1,965.7
Total 31 Dec 2013							1,383.6	260.8	1,952.0

All of the shares and participations in Group companies are unlisted.

Cost	31 Dec 2014	31 Dec 2013
Opening balance	1,952.0	1,845.0
Capital gains from partnerships	113.7	107.0
Closing balance	2,065.7	1,952.0
Accumulated impairment	31 Dec 2014	31 Dec 2013
Opening balance	0.0	0.0
Impairment for the year	–100.0	–
Closing balance	–100.0	0.0
Carrying amount	1,965.7	1,952.00

21 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

	31 Dec 2014	31 Dec 2013
Promissory notes to Utile Dulci 2 HB	620.0	750.0
Subordinated debentures, Länsförsäkringar Bank AB (publ)	306.9	305.5
Listed bonds, Länsförsäkringar Hypotek AB (publ)	67.0	741.0
Listed bonds, Länsförsäkringar Bank AB (publ)	70.3	100
Total	1,064.2	1,896.5

The loan to Utile Dulci 2 HB is current. The interest-rate period is determined by STIBOR, three-months at a time. Interest dates are 31 March, 30 June, 30 September and 31 December. Matures on demand.

22 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Share of equity, %	Equity 31 Dec 2014	Profit 2014	Carrying amount 31 Dec 2014
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29.1	0.0	0.0	0.0
CAB Group AB	556131-2223	Örebro	1,582	28.8	90.2	32.4	10.7
European Alliance Partners Company AG ¹⁾	CH-0203026423-1	Zürich	10,570	14.3	64.8	1.5	6.8
Total							17.5

All shares and participations are unlisted.

Cost	31 Dec 2014	31 Dec 2013
Opening balance	17.5	17.5
Added and deducted assets	–	–
Closing balance	17.5	17.5
Total carrying amount	17.5	17.5

Summary of financial information pertaining to associated companies

Information pertains to Länsförsäkringar Sak's participating interest

	2014	2013
Income	225.4	50.0
Earnings	33.9	5.4
Assets	216.6	41.5
Liabilities	61.7	14.8
Equity	154.9	26.7

¹⁾ The reason that European Alliance Partners Company AG is classified as an associated company despite the fact that the participating interest is less than 20% is that Länsförsäkringar Sak is deemed to have a significant influence in the company. Länsförsäkringar Sak is represented on the company's Board of Directors and is entitled to participate in all decisions to be made, including strategic issues and issues regarding guidelines, budget and business plans. Furthermore, a large amount of information is exchanged with the company.

23 SHARES AND PARTICIPATIONS

	31 Dec 2014	31 Dec 2013
Unlisted shares and participations	37.6	32.0
Total	37.6	32.0
Cost	154.9	155.6

24 BONDS AND OTHER INTEREST-BEARING SECURITIES

	31 Dec 2014	31 Dec 2013
Issued by		
Swedish government	369.2	5,835.5
Swedish mortgage institutions	373.6	2,109.0
Other Swedish issuers	635.4	884.0
Other foreign issuers	1,464.9	842.0
Total	2,843.1	9,670.5
Securities listed	2,812.1	9,670.5
Securities unlisted	31.0	–
Amortised cost	2,603.6	9,667.6

Carrying amounts compared with nominal amounts

	31 Dec 2014	31 Dec 2013
Total surplus	140.2	1,911.9
Total deficit	–0.6	–21.6
Net difference	139.6	1,890.3

25 DERIVATIVES

Derivatives with positive values or valued at zero

	Carrying amount		Nominal amount	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Interest-rate derivatives	2.4	0.7	–226.1	–2,412.9
Currency derivatives	12.1	3.2	–409.4	316.8
Total	14.5	3.9	–635.5	–2,096.1

Derivatives with negative values

	Carrying amount		Nominal amount	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Interest-rate derivatives	0.0	0.0	5.0	169.2
Currency derivatives	67.3	20.4	1,478.6	124.9
Total	67.3	20.4	1,483.6	294.1

26 RECEIVABLES, DIRECT INSURANCE

	31 Dec 2014	31 Dec 2013
Receivables, policyholders	352.7	321.2
Receivables, insurance brokers	43.6	5.1
Receivables, insurance companies	7.5	–3.9
Total	403.8	322.4

27 OTHER RECEIVABLES

	31 Dec 2014	31 Dec 2013
Receivables, Group companies	501.6	369.8
Receivables, Parent Company	98.3	226.2
Receivables, Länsförsäkringar Liv Försäkrings AB	1.6	0.0
Other receivables	145.5	25.9
Total	747.0	621.9

28 ACCRUED INTEREST INCOME

	31 Dec 2014	31 Dec 2013
Accrued interest rates pertaining to Group companies	1.2	18.5
Other accrued interest rates	9.2	62.6
Total	10.4	81.1

29 PREPAID ACQUISITION COSTS

	31 Dec 2014	31 Dec 2013
Opening prepaid costs	24	22.0
Amortisation for the year	–24	–22.0
Provision for the year	20.8	24.0
Total	20.8	24.0

All acquisition costs have an amortisation period of less than one year.

30 OTHER PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2014	31 Dec 2013
Other accrued income	2.5	1.2
Other prepaid expenses	18.3	13.5
Total	20.8	14.7

31 UNEARNED PREMIUMS AND UNEXPIRED RISKS

	31 Dec 2014			31 Dec 2013		
	Gross	Reinsurers portion	Net	Gross	Reinsurers portion	Net
<i>Unearned premiums</i>						
Opening balance	466.3	14.4	451.9	444.9	14.1	430.8
Provisions during the period	4.8	-6.3	11.1	18.8	0.2	18.6
Exchange-rate changes	8.2	0.2	8.0	2.6	0.1	2.5
Closing balance	479.3	8.3	471.0	466.3	14.4	451.9
<i>Unexpired risk</i>						
Opening balance	6.8	-	6.8	11.0	-	11.0
Provisions during the period	2.9	-	2.9	-4.2	-	-4.2
Closing balance	9.7	-	9.7	6.8	-	6.8
Total of unearned premiums and unexpired risks	489.0	8.3	480.7	473.1	14.4	458.7

32 CLAIMS OUTSTANDING

	31 Dec 2014			31 Dec 2013		
	Gross	Reinsurers portion	Net	Gross	Reinsurers portion	Net
Claims incurred and reported	6,198.6	2,712.5	3,486.1	6,078.8	2,342.5	3,736.3
Claims incurred and not reported	7,221.9	4,473.3	2,748.6	7,189.2	4,360.8	2,828.5
Annuities	4,339.8	-	4,339.8	4,779.9	-	4,779.9
Claims adjustment costs	254.2	3.5	250.7	277.4	4.6	272.8
Total opening balance	18,014.5	7,189.3	10,825.2	18,325.3	6,707.9	11,617.5
Provisions for the period	3,388.6	3,091.0	297.6	131.8	475.4	-343.6
Exchange-rate changes	65.1	15.5	49.6	-4.6	6.0	-10.6
Effect of interest-rate revaluations for annuities	427.6	-	427.6	-473.7	-	-473.7
Upward adjustment of provision for annuities ¹⁾	34.0	-	34.0	35.7	-	35.7
Transfer of motor third-party liability and annuities business						
Transferred insurance portfolio	-2,088.6	-	-2,088.6	-	-	-
Reinsurance of motor third-party liability insurance	-	2,566.7	-2,566.7	-	-	-
Transfer of annuities	-4,647.0	-1,359.5	-3,287.5	-	-	-
Total change for the year	-2,820.3	4,313.7	-7,134.0	-310.8	481.4	-792.3
Claims incurred and reported	6,183.1	4,362.6	1,820.5	6,198.6	2,712.5	3,486.1
Claims incurred and not reported	7,197.2	5,780.9	1,416.3	7,221.9	4,473.3	2,748.6
Annuities	1,568.9	1,359.5	209.4	4,339.8	-	4,339.8
Claims adjustment costs	245.0	-	245.0	254.2	3.5	250.7
Total closing balance	15,194.2	11,503.0	3,691.2	18,014.5	7,189.3	10,825.2

¹⁾ Note that Transferred investment income does not include provision for annuities, and the discount rate for the annuities is 2.65%.

33 PENSIONS AND SIMILAR COMMITMENTS

Provision for early retirement in accordance with pension agreement	31 Dec 2014	31 Dec 2013
Opening balance	27.7	26.7
Provision(+)/reversal (-) for the year	-3.6	1.0
Closing balance	24.1	27.7

Of pension provisions, SEK 8.3 M (10.7) pertains to the 62-years-of-age rule. According to the pension agreement for the insurance sector, persons born in 1955 or earlier can voluntarily retire at the age of 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 30% will utilise the option for early retirement. The remaining 70% is recognised under contingent liabilities.

34 OTHER PROVISIONS

	31 Dec 2014	31 Dec 2013
Provision for contractual obligations	10.9	34.7
Other provisions	1.3	-22.2
Total	12.2	12.5

35 LIABILITIES, DIRECT INSURANCE

	31 Dec 2014	31 Dec 2013
Liabilities to policyholders	295.5	307.2
Liabilities, insurance brokers	3.6	3.4
Liabilities, insurance companies	1,193.3	283.1
Total	1,492.4	593.7

37 PENSIONS

Defined-benefit pension plans

The company has a defined-benefit pension plan that is a pension agreement for 2006 for the insurance sector. Persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. In addition to this plan, there

	31 Dec 2014	31 Dec 2013
Pension commitments		
Provisions for pensions	5.3	6.2
Other provisions	11.6	14.3
Total	16.9	20.5
Of the amounts recognised as Pension provisions, only the following amounts are encompassed by the Swedish Pension Obligations Vesting Act.	5.3	6.2
The year's change in capital value of own commitments for which there are no separated assets		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	14.3	14.4
Income/expense excluding interest expense that impacted earnings	-2.7	-0.1
Interest expense	0.0	0.0
Capital value at 31 December	11.6	14.3
The year's change in capital value of own commitments which are wholly or partly covered by separated assets:		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	6.2	5.7
Pensions paid	0.0	-1.0
Other change in capital value	-0.9	1.5
Capital value at 31 December	5.3	6.2
Change for the year in the total capital value of the company's own commitments		
Opening capital value on 1 January in accordance with Swedish principles for calculation of pension commitments	20.5	20.1
Income/expense excluding interest expense that impacted earnings	-2.7	-0.1
Interest expense	0.0	0.0
Pensions paid	0.0	-1.0
Other change in capital value	-0.9	1.5
Capital value at 31 December	16.9	20.5
Fair value of separated assets		
Fair value at 1 January	15.1	16.1
Return on separated assets	0.0	0.0
Payments to and from pension foundations	0.0	-1.0
Surplus in separated assets (Fair value of separated assets to the extent that the value does not affect the company's accounts)	-9.3	-8.2
Fair value at 31 December	5.9	6.9
Net pension commitments at 31 December	11.0	13.6

36 OTHER LIABILITIES

	31 Dec 2014	31 Dec 2013
Liabilities, Group companies	55.7	0.2
Liabilities to the Parent Company	225.1	159.2
Other liabilities	22.5	17.8
Total	303.3	177.2

are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	31 Dec 2014	31 Dec 2013
Costs regarding pensions The company's own pensions		
Income/expense excluding interest expense	-2.7	-0.1
Interest expense	0.0	0.0
Return on separated assets	0.0	0.0
Cost of the company's own pensions	-2.7	-0.1
Costs covered by surplus in separated assets	0.0	0.0
Recognised net cost attributable to pensions	-2.7	-0.1
Fair value of separated assets		
Participations in fixed-income funds	17.5	17.4
Cash and bank balances	2.4	2.3
Other assets	0.1	0.1
Liabilities	-5.4	-11.5
Total	14.6	8.2
Return on separated assets	0.2%	0.3%
Assumptions pertaining to defined-benefit commitments		
Discount rate	0.5%	0.4%
Percentage expected to retire voluntarily at age 62	30.0%	30.0%
Future salary increases	2.5%	2.5%
Capital in separated assets that exceeds the capital value of pension commitments to employees. This surplus is not recognised in the balance sheet.	9.3	8.2

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees.

	2014	2013
Expenses for defined-contribution plans	27.1	24.9

38 OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2014	31 Dec 2013
Premiums, received but not due	147.8	132.4
Other deferred income	7.2	6.4
Accrued holiday and overtime remuneration	10.9	10.2
Accrued expenses to the Parent Company	0.0	0.3
Other accrued expenses	31.6	30.3
Total	197.5	179.6

39 INFORMATION ABOUT OFFSETTING

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The company has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset

liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Financial assets and liabilities that are offset or subject to netting agreements						
31 Dec 2014	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received(-) / Pledged(+)	
Assets						
Derivatives	14.5	–	14.5	–5.6	–	8.9
Liabilities						
Derivatives	–67.3	–	–67.3	5.6	58.9	–2.8
Total	–52.8	0	–52.8	0	58.9	6.1

Financial assets and liabilities that are offset or subject to netting agreements						
31 Dec 2013	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	Collateral Received(-) / Pledged(+)	
Assets						
Derivatives	3.9	–	3.9	–3.9	–	0
Liabilities						
Derivatives	–20.4	–	–20.4	3.9	2.5	–14.0
Total	–16.5	0	–16.5	0	2.5	–14.0

	Financial assets measured at fair value in profit and loss				
31 Dec 2014	Financial assets mea- sured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
ASSETS					
Interest-bearing securities issued by Group companies and loans to Group companies	1,064.2	–	–	1,064.2	1,064.2
Shares and participations	37.6	–	–	37.6	37.6
Bonds and other interest-bearing securities	2,843.1	–	–	2,843.1	2,843.1
Derivatives	–	14.5	–	14.5	14.5
Other financial investment assets	101.7	–	–	101.7	101.7
Deposits with companies that have ceded reinsurance	–	–	48.7	48.7	48.7
Receivables, direct insurance	–	–	403.7	403.7	403.7
Receivables, reinsurance	–	–	304.6	304.6	304.6
Other receivables	–	–	745.9	745.9	745.9
Cash and bank balances	–	–	651.1	651.1	651.1
Prepaid expenses and accrued income	–	–	20.8	20.8	20.8
Total	4,046.6	14.5	2,174.8	6,235.9	6,235.9

	Financial liabilities measured at fair value in profit and loss			
	Held for trading	Other financial liabilities	Total carrying amount	Fair value
LIABILITIES				
Deposits from reinsurers	–	22.8	22.8	22.8
Liabilities, direct insurance	–	1,492.4	1,492.4	1,492.4
Liabilities, reinsurance	–	203.3	203.3	203.3
Derivatives	67.3	–	67.3	67.3
Other liabilities	–	293.6	293.6	293.6
Accrued expenses and deferred income	–	42.4	42.4	42.6
Total	67.3	2,054.5	2,121.8	2,121.8

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

	Financial assets measured at fair value in profit and loss				
31 Dec 2013	Financial assets valued according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
ASSETS					
Interest-bearing securities issued by Group companies and loans to Group companies	1,896.5	–	–	1,896.5	1,896.5
Shares and participations	32.0	–	–	32.0	32.0
Bonds and other interest-bearing securities	9,670.5	–	–	9,670.5	9,670.5
Derivatives	–	3.9	–	3.9	3.9
Other financial investment assets	77.2	–	–	77.2	77.2
Deposits with companies that have ceded reinsurance	–	–	54.5	54.5	54.5
Receivables, direct insurance	–	–	322.4	322.4	322.4
Receivables, reinsurance	–	–	177.6	177.6	177.6
Other receivables	–	–	615.9	615.9	615.9
Cash and bank balances	–	–	174.6	174.6	174.6
Prepaid expenses and accrued income	–	–	92.2	92.2	92.2
Total	11,676.2	3.9	1,437.2	13,117.3	13,117.3

	Financial liabilities measured at fair value in profit and loss			
	Held for trading	Other financial liabilities	Total carrying amount	Fair value
LIABILITIES				
Deposits from reinsurers	–	29.1	29.1	29.1
Liabilities, direct insurance	–	593.7	593.7	593.7
Liabilities, reinsurance	–	369.4	369.4	369.4
Derivatives	20.4	–	20.4	20.4
Other liabilities	–	176.0	176.0	176.0
Accrued expenses and deferred income	–	176.6	176.6	176.6
Total	20.4	1,344.8	1,365.2	1,365.2

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Fair value valuation techniques

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.

Level 2 refers to prices determined by calculated prices of observable market data.

Level 3 refers to prices based on own assumptions and judgements.

	31 Dec 2014				31 Dec 2013			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
ASSETS								
Interest-bearing securities issued by Group companies and loans to Group companies	444.2	620.0		1,064.2	1,146.5	750.0		1,896.5
Shares and participations	–	4.2	33.4	37.6	–	3.7	28.3	32.0
Bonds and other interest-bearing securities	2,812.5	–	30.6	2,843.1	9,670.5	–	–	9,670.5
Derivatives	0.6	13.9	–	14.5	0.7	3.2	–	3.9
Other financial investment assets	101.1	–	0.6	101.7	73.8	–	3.5	77.3
LIABILITIES								
Derivatives	0.0	67.3	–	67.3	–	20.4	–	20.4

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013. Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and

are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

The measurement of Other financial investment assets in Level 3 comprises a reasonable approximation of the fair value based on the cost of the assets, since these assets have short terms.

Change Level 3	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance, 1 January 2013	290.6	0.0	0.0	290.6
Acquisitions	–	–	3.5	3.5
Divestments	–275.3	–	–	–275.3
Recognised in profit and loss	13.0	–	–	13.0
Transfer to Level 3	–	–	–	0.0
Closing balance, 31 December 2013	28.3	0.0	3.5	31.8
Opening balance, 1 January 2014	28.3	0.0	3.5	31.8
Acquisitions	–	30.0	–	30.0
Divestments	–	–	–2.9	–2.9
Recognised in profit and loss	5.1	0.6	–	5.7
Transfer to Level 3	–	–	–	–
Closing balance, 31 December 2014	33.4	30.6	0.6	64.6

	31 Dec 2014			31 Dec 2013		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
ASSETS						
Goodwill	11.9	–	11.9	28.9	11.9	40.8
Other intangible assets	10.1	11.7	21.8	14.1	18.1	32.2
Interest-bearing securities issued by Group companies and loans to Group companies	–	1,965.7	1,965.7	–	1,952.0	1,952.0
Shares and participations in associated companies	–	17.5	17.5	–	17.5	17.5
Loans to Group companies	–	1,064.2	1,064.2	1,867.3	29.2	1,896.5
Shares and participations	–	37.6	37.6	–	32.0	32.0
Bonds and other interest-bearing securities	348.0	2,495.1	2,843.1	1,579.3	8,091.2	9,670.5
Derivatives	12.7	1.8	14.5	3.9	–	3.9
Other financial assets	–	101.7	101.7	–	77.2	77.2
Deposits with companies that have ceded reinsurance	48.7	–	48.7	54.5	–	54.5
Reinsurers' portion of technical provisions	1,333.3	10,178.0	11,511.3	1,192.0	6,011.7	7,203.7
Receivables, direct insurance	403.8	–	403.8	322.4	–	322.4
Receivables, reinsurance	304.7	–	304.7	177.6	–	177.6
Other receivables	747.0	–	747.0	621.9	–	621.9
Deferred tax assets	–	2.8	2.8	–	3.1	3.1
Property and equipment	1.1	4.7	5.8	0.7	2.7	3.4
Cash and bank balances	651.1	–	651.1	174.6	–	174.6
Prepaid expenses and accrued income	52.0	–	52.0	119.8	–	119.8
Total assets	3,924.2	15,880.9	19,805.2	6,175.2	16,228.5	22,403.6
LIABILITIES						
Technical provisions	2,526.2	13,157.0	15,683.2	2,745.3	15,742.3	18,487.6
Other provisions	–	36.3	36.3	–	40.2	40.2
Deposits from reinsurers	22.8	–	22.8	29.1	–	29.1
Current tax liabilities	–	1.3	1.3	–	–	–
Deferred tax liabilities	–	12.8	12.8	–	15.3	15.3
Liabilities, direct insurance	1,492.4	–	1,492.4	593.7	–	593.7
Liabilities, reinsurance	203.3	–	203.3	369.4	–	369.4
Derivatives recognised as liabilities	67.3	–	67.3	20.4	–	20.4
Other liabilities	303.3	–	303.3	177.2	–	177.2
Accrued expenses and deferred income	197.5	–	197.5	179.6	–	179.6
Total liabilities	4,812.8	13,207.4	18,020.2	4,114.7	15,797.8	19,912.5

The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities.

42 MEMORANDUM ITEMS

	31 Dec 2014	31 Dec 2013
Pledged assets		
Total registered investment assets on behalf of policyholders	4,876.4	13,720.3
– of which, pertain to preferential commitments	4,876.4	13,720.3
Total	4,876.4	13,720.3

The technical liabilities, which correspond to registered assets, amount to SEK 4,044.7 M. Registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act amount to SEK 4,876.4 M. In the event of insolvency, the policyholders have a preferential right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Swedish Insurance Business Act.

43 DISCLOSURES ON RELATED PARTIES

Organisation

Länsförsäkringar Sak is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Länsförsäkringar Sak. This pertains to such services as asset management, legal, finance, safety, personnel and development of a joint IT system. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between Länsförsäkringar Sak and Länsförsäkringar AB, subsidiaries and the regional insurance companies.

Related parties

Legal entities closely related to Länsförsäkringar Sak include all of the companies in the Länsförsäkringar AB Group, Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Pricing

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Development projects and parts of services are financed collectively and invoiced based on an established distribution key.

Agreements

Significant agreements for Länsförsäkringar Sak are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT, service and development. Furthermore, agreements have been entered into with Länsförsäkringar Mäklarservice regarding sales and with the regional insurance companies regarding commission for sales, claims adjustment and reinsurance management. Additional agreements that have been entered into are with Humlegården Fastigheter AB regarding the administration of Utile Dulci 2 HB and partnership agreements with Länsförsäkringar AB regarding Utile Dulci 2 HB. Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB. The property owner is a subsidiary of Länsförsäkringar Sak. Utile Dulci 2 HB is financed by Länsförsäkringar Sak on the basis of a loan of SEK 620 M (750).

Related-party transactions 2014 – Transfer of business

On 30 December 2014, Länsförsäkringar Sak transferred a portfolio of run-off motor third-party liability insurance to the regional insurance companies. The transfer comprises motor third-party liability claims that are still outstanding and the annuities associated with the transferred motor third-party liability insurance portfolio.

	31 Dec 2014	31 Dec 2013
Contingent liabilities		
Part-owner of Utile Dulci 2 HB	3.8	3.2
Early retirement at age 62 in accordance with pension agreement, 70%	19.4	24.9
Total	23.2	28.1

The Swedish Motor Traffic Damage Act and the Swedish Motor Liability Insurance Ordinance stipulate that insurance companies underwriting motor third-party liability insurance in Sweden must be members of Swedish Motor Insurers. The rules state that the member companies have a joint and several liability to finance the operations of Swedish Motor Insurers. This takes place by the annual net deficit for Swedish Motor Insurers being distributed between the member companies based on the companies' premium volumes for motor third-party liability insurance by applying an annual settlement model adopted by the Meeting of Swedish Motor Insurers. The joint and several liability entails that individual member companies may have a potential additional obligation to Swedish Motor Insurers if any other member company is unable to fulfil its own obligations or if the reserves for claims outstanding held by Swedish Motor Insurers prove to be insufficient.

On 30 December 2014, the portfolio of reserves of run-off motor third-party liability was transferred to the regional insurance companies at an amount corresponding to SEK 2,058 M. However, these reserves were reinsured with Länsförsäkringar Sak. In a third stage, excess loss reinsurance was taken out for these reserves together with additional run-off motor third-party liability business corresponding to SEK 2,567 M (less deductions for external reinsurers' portions) for the regional insurance companies according to modified participating interests in Länsförsäkringar AB. For this, the regional insurance companies received a premium at market value premium including a risk margin of SEK 2,526 M. Profit in Länsförsäkringar Sak amounted to SEK 19.6 M after remuneration to the regional insurance companies for future claims adjustment and operating expenses.

On 30 December 2014, claims annuities corresponding to SEK 3,287 M were also transferred to the regional insurance companies. In addition, the regional insurance companies received a further SEK 1,359 M in claims annuities based on excess loss reinsurance. In total, the transfer and reinsurance of annuity reserves amounted to SEK 4,647 M. The regional insurance companies received remuneration in the same amount since the reserves were transferred at carrying amount including discounting, in accordance with applicable rules (FFFS 2013:23). 22 regional insurance companies participated in the portfolio transfer and received reinsurance as described above.

Related-party transactions 2014

	Income	Expenses	Receivables	Liabilities
Parent Company	3.5	269.5	103.1	225.1
Group companies	202.8	–	1,576.0	55.9
Life Group	2.0	–	–	1.6
Associated companies	–	–	–	–
Regional insurance companies	31.2	2,869.3	6,502.3	9,206.9
Other related parties	–	11.2	6.5	11.2

Bank balances and interest income received from Länsförsäkringar Bank AB amounts to:

Cash and cash equivalents with Länsförsäkringar Bank AB	480.5
Interest income received	1.4

44 SUPPLEMENTARY DISCLOSURES ON INCOME-STATEMENT ITEMS BY INSURANCE CLASS

2014	Total	Accident and health	Motor third-party liability	Motor hull, other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal protection	Total, direct insurance	Assumed reinsurance
Premiums earned, gross	5,878.3	1,022.8	44.3	104.9	109.8	80.3	168.9	2.9	1,533.9	4,344.4
Claims payments, gross	–6,473.4	–655.7	–1,334.9	–87.1	–48.9	–66.1	–176.7	–1.3	–2,370.7	–4,102.7
Operating expenses, gross	–508.0	–198.2	–14.2	–20.5	–29.0	–14.7	–37.2	–0.2	–314.0	–194.0
Profit/loss from ceded reinsurance	1,314.9	–7.4	1,373.2	–2.5	–4.9	–9.6	–5.7	–0.1	1,343.0	–28.1
Profit/loss	211.8	161.5	68.4	–5.2	26.9	–10.0	–50.6	1.3	192.3	19.5
Premium income, gross	5,886.0	1,045.8	46.1	122.3	110.8	80.9	147.5	3.1	1,556.5	4,329.5

The Annual Report was approved for publication by the Board of Directors on 4 March 2015.
The company's income statement and balance sheet will be adopted at the 2015 Annual General Meeting.

Sten Dunér
Chairman

Ingemar Larsson
Board member

Mariette Nicander
Board member

Carl Henrik Ohlsson
Board member

Göran Spetz
Board member

Magnus Olsson
Board member

Anna Sandqvist
Employee representative

Linnéa Niklasson
Employee representative

Ann Sommer
President

My audit report was submitted on 4 March 2015.

Gunilla Wernelind
Authorised Public Accountant

Auditor's report

Translation from the Swedish original.

To the annual meeting of the shareholders of Länsförsäkringar Sak Försäkringsaktiebolag (publ.), corp. id 502010-9681

Report on the annual accounts

We have audited the annual accounts of Länsförsäkringar Sak Försäkringsaktiebolag (publ.), for the year 2014.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Länsförsäkringar Sak Försäkringsaktiebolag (publ.) as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies.

The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ.) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 4 March 2015

Gunilla Wernelind
Auktoriserad revisor

Board of Directors, management and auditor

Board of Directors



Sten Dunér

Chairman.
Born 1951. President of Länsförsäkringar AB. Elected 2009. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Länsförsäkringar Liv, Insurance Sweden, Swedish Insurance Employers' Association (FAO) and Fastighets AB Balder. **Previous experience:** CFO and other senior positions at Länsförsäkringar AB.



Ingemar Larsson

Born 1949. Self-employed. Elected: 2014. **Education:** Master of Science in Engineering. **Other Board appointments:** Board member of Wasa Kredit, Platzer Fastigheter Holding. **Previous experience:** President of Länsförsäkringar Göteborg och Bohuslän.



Mariette Nicander

Born 1960. President of Länsförsäkringar Gotland. Elected 2012. **Education:** Bachelor of Legal Science. **Other Board appointments:** Brandförebyggarna Gotland and Tillväxt Gotland. **Previous experience:** Worked in the insurance industry since 1984.



Carl Henrik Ohlsson

Born 1953. President of Länsförsäkringar Skaraborg. Elected 2012. **Education:** Master of Science in Agriculture. **Other Board appointments:** Chairman of Gothia Intresseförening and Skaraborg Invest, Länsförsäkringar Fastighetsförmedling and Board member of University of Skövde. **Previous experience:** President of Agricultural Society of Skaraborg County.

Employee representatives



Magnus Olsson

Born 1964. President of Länsförsäkringar Blekinge. Elected: 2014. **Education:** Master of Science in Agricultural Economics. **Other Board appointments:** Länsförsäkringar Blekinge, Länsförsäkringar Gruppliv, Länsförsäkringar Affärsservice Sydost AB. **Previous experience:** Worked in the insurance industry since 1997.



Göran Spetz

Born 1956. President of Länsförsäkringar Västerbotten. Elected 2010. **Education:** Mechanical engineer. **Other Board appointments:** Chairman of Länsförsäkringar i Norr Holding AB, Board member of Ekonord Invest AB and Länsförsäkringar Fastighetsförmedling. **Previous experience:** Head of Claims Department at Länsförsäkringar Västerbotten since 1979.



Linnéa Niklasson

Born 1958. Object specialist Integration. Employee representative Elected: 2014. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar AB, Agria Djurförsäkring, Chairman of Länsförsäkringar AB FTF club, Profit-sharing Association Ekorren. **Previous experience:** Test Manager/Change and Release management at Länsförsäkringar AB, Systems Developer Agria, Chairman of FTF Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto.

Deputy:
Jan Ingman.



Anna Sandqvist

Born 1963. Compliance Employee representative. Elected: 2014. **Education:** Bachelor of Arts. **Other Board appointments:** Employee representative of Swedish Confederation of Professional Associations (SACO) on the Board of Länsförsäkringar AB, Chairman of SACO association at Länsförsäkringar AB, Board member of Bank and Insurance Section of Jusek. **Previous experience:** AMF Pension, Wasa Försäkringar.

Deputy:
Lotta Möller.

Auditor

Elected by the Annual General Meeting:

Gunilla Wernelind

Authorised Public Accountant, KPMG.

Executive management

Ann Sommer

President.

Thomas Abrahamsson

Business Area Health.

Carina Bodesand

Business Support.

Ulrica Hedman

Business Area Commercial Special Insurance until November 2014.

Gunnel Karlsson

CFO.

Göran Laurén

Asset Management.

Birger Lövgren

Agria.

Tor Mellbye

Reinsurance

Totte Pikanen

Corporate Senior Actuary.

Michael Truwert

Head of Legal Affairs.

Marie-Louise Skånberg

HR.

Employee representatives

Anna Sandqvist

Employee representative.

Linnéa Niklasson

Employee representative.

Definitions

After ceded reinsurance

The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is used.

Capital base

Recognised equity after proposed dividend, plus untaxed reserves and surplus values of property, less intangible assets.

Claims payments

The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts. Run-off profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are re-valued pending final settlement.

Claims ratio

The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance, expressed as a percentage.

Combined ratio

The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

Contingency reserve

Provisions for contingency reserve is an appropriation. The contingency reserve is to equalise fluctuations in the risk process and the uncertainty in the calculation basis for provisions for unearned premiums and claims outstanding.

Deferred tax

Deferred tax liabilities/assets pertain to temporary taxable temporary differences.

Direct insurance

Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Direct yield

Direct yield refers to the balance of interest income, interest expense, dividends on shares and participations, and the surplus/deficit on property for the assets encompassed by the investment principles in relation to the average value of these assets during the year.

Discounting of claims outstanding

Present value calculation of future claims payments in insurance transactions with long-term settlement periods.

Expense ratio

Operating expenses as a percentage of premiums earned after ceded reinsurance.

Investment income transferred from financial operations

Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest (the cost of capital) on these investments is transferred from investment income to the insurance operations. With the amendment of the accounting policies for indexed annuities, this is recognised as an increased capital cost for investment income transferred from financial operations, to the change in provision for claims outstanding reducing the total claims payments. 2011 and 2010 have been recalculated according to the new policy, but prior years are recognised according to the previous policies.

Operating expenses

Operating expenses is a collective term for expenses for sales, management and administration.

Premiums earned

The proportion of premium income attributable to the fiscal year.

Premium income

Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance operations.

Reinsurance

Risk distribution method entailing that an insurance company purchases coverage for a portion of its liability commitment for insurance and reinsurance contracts, known as ceded reinsurance. Assumed reinsurance from other insurance companies in the form of reinsurance.

Required solvency margin

The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

Run-off result

For claims for which final settlement has not been completed at the end of the fiscal year, funds are reserved in the provision for claims outstanding. The assessment of future payments implemented may however prove to be incorrect for various reasons. If the calculated compensation amount for a claim proves to be over-valued, run-off gains will arise when the compensation amount is re-assessed or when the claim has been settled. If the amount is under-valued, a corresponding run-off loss will arise.

Solvency capital

Recognised equity, plus untaxed reserves, deferred tax liabilities and surplus values on property.

Solvency margin

The ratio between solvency capital and premium income for own account, expressed as a percentage. The solvency margin, calculated in this manner, is the measure of capital strength of the insurance company normally used.

Technical provisions

Provision for unearned premiums and unexpired risks, and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts.

Technical result for non-life insurance operations

Premiums earned less claims payments and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding administration costs, in relation to the average value of these assets during the year. The changes in the value of the discounted technical provisions are not included in the total return.

Unearned premiums

A liability item, corresponding to the portion of premium income that pertains to the next year in the annual accounts.

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