



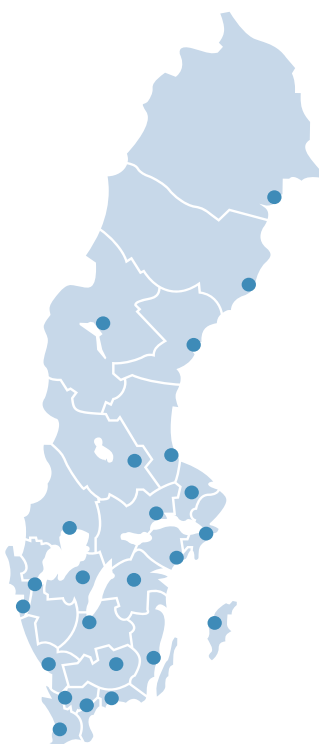
2009

Länsförsäkringar Sak Försäkrings AB  
Annual Report



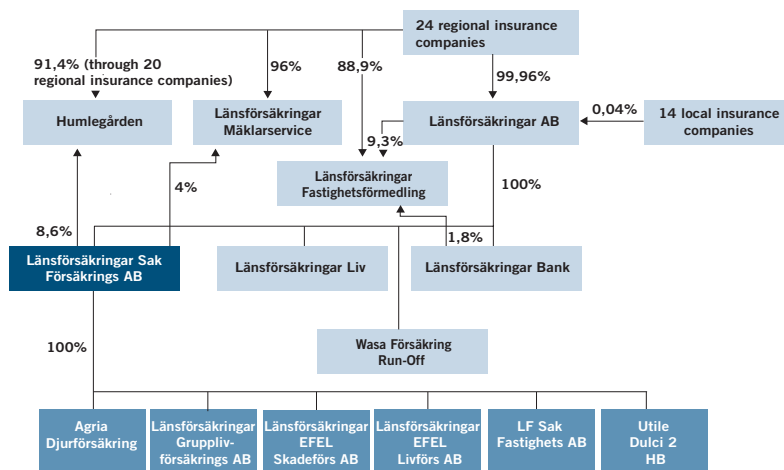
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## 2009 in brief

- Net profit for the year before appropriations and tax totalled SEK 511 M (loss: 2,807). The technical result for the insurance operations amounted to SEK 375 M (309).
- The total return on investment assets was 6.4% (neg: 13.3). The average total return on investment assets for the past five years is 3.9%.
- Continued focus on the market for healthcare products. The Länsförsäkringar Alliance is also a market leader in medical insurance in Sweden, with a market share of 38%.
- The subsidiary Länsförsäkringar International was sold to Gjensidige Forsikring BA.



### Rating

Credit ratings affect both Länsförsäkringar Sak's ability to write assumed reinsurance and the Länsförsäkringar AB Group's costs for raising funds in the international capital market. A higher rating entails lower financing costs and a greater possibility to write assumed reinsurance. A forecast is linked to each rating. The forecast states whether the rating in question is positive, stable or negative. As of October 2009, Länsförsäkringar Sak is rated A/Stable by Standard & Poor's and A2/Stable by Moody's.

# 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 2009 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 covered by the consolidated financial statements for Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020. Figures in parentheses refer 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 24 regional insurance companies and 14 local insurance companies.

## Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Grupplivförsäkringsaktiebolag, Länsförsäkringar Sak Fastighets AB, the limited partnership Utile Dulci 2, Länsförsäkringar EFEL Skadeförsäkring AB and Länsförsäkringar EFEL Livförsäkring AB. In 2009, the subsidiary Länsförsäkringar International AB was liquidated and the subsidiary Länsförsäkringar International Försäkringsaktiebolag was sold.

## 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. However, Länsförsäkringar Sak also conducts certain development-related operations, primarily pertaining to non-life insurance business.

In 2009, business was underwritten in the areas of medical, healthcare, accident, producer liability, property, cargo and liability insurance. In addition, insurance cover is provided for national customers in the commercial automotive area (third-party liability insurance and motor-vehicle insurance). The company also handles the Länsförsäkringar Alliance's internal

and external reinsurance and underwrites assumed international reinsurance.

The provision for claims incurred for third-party liability insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak. As of 2004, this type of business is underwritten by the local regional insurance companies.

Länsförsäkringar Sak's subsidiary Försäkringsaktiebolaget Agria is a specialist company for animal and crop insurance. The subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag underwrites group life assurance and employment group life assurance.

## Market

The non-life insurance market has been characterised by intense price pressure in recent years, a trend that continued in 2009. Competition increased, particularly in the commercial market. More companies than usual declared bankruptcy, and the economic downturn impacted companies' sales, resulting in lower premiums.

The market for medical insurance continues to grow, increasing nearly 17% annually. Länsförsäkringar is a market leader, with a market share of 38% (37). The market is currently undergoing a period of growth, and an increasing number of Swedes feel that the level of compensation from society is insufficient. This sense of dissatisfaction with compensation payments and concern over the financial situation are prompting more people to take out medical and income insurance. Concerns that public healthcare may not be able to provide the necessary care are causing more individuals, particularly small business owners, to take out private medical insurance. However, the prevailing

economic situation has caused growth in this area to decline.

The market continues to be exposed to competition from major traditional competitors, banks launching non-life insurance operations, new players and foreign companies.

In addition to an increasing number of players establishing themselves in the non-life insurance market, additional sales channels are being developed, and the role of the Internet and brokers continues to become more significant.

The Länsförsäkringar Alliance's total market share in non-life insurance, measured in premiums paid, remained stable in 2009. The market share was unchanged at 30.5% (30.5).

## Key events during the year

### *Sale of subsidiary*

The subsidiary Länsförsäkringar International Försäkringsaktiebolag was sold to Gjensidige Forsikring BA on November 17, 2009.

### *Increased competitiveness – new organisation*

On January 1, 2009, the Länsförsäkringar AB Group underwent a reorganisation to further strengthen its competitiveness. Since January 2009, service and administration resources have been shared with other subsidiaries and operations in Länsförsäkringar AB. As a result of this reorganisation, Länsförsäkringar Sak has been able to focus on its business activities.

### *Proposal for new solvency regulations in the EU*

An initiative known as Solvency II is cur-

rently being implemented in the EU, including updated legislation for insurance operations. As part of this initiative, a directive was adopted in 2009. The objective of the directive is to strengthen the connection between solvency requirements and the risks for insurance companies, to provide increased security for insurance policyholders and to contribute to a stable and effective insurance market in the EU. Solvency II emphasises the importance of a more risk-based approach to regulating insurance companies. The regulations are planned to take effect on October 31, 2012.

The final wording of the solvency requirements has not yet been disclosed. In 2009, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), which is assisting the European Commission in its preparations for Solvency II, presented a proposal containing significantly stricter requirements than had previously been discussed. This has created a sense of uncertainty in the insurance industry regarding the new regulations and their effect. Industry representatives have argued that the requirements in the proposal are excessively strict and thus run the risk of exposing policyholders to higher premiums and poorer access to insurance cover.

#### **Events after the balance-sheet date**

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

#### **Expectations regarding future development**

On January 1, 2009, Länsförsäkringar Sak's operations were changed as a result of the reorganisation described above and are now streamlined to non-life insurance and reinsurance operations. As of January 1, service and development activities are part of the Parent Company Länsförsäkringar AB's service operations.

The market for medical insurance is growing and being exposed to intense competition. Länsförsäkringar Sak is experiencing significant growth among its core target groups of small and medium-sized companies with its Voluntary Medical Plan package solution. Prior to 2010,

the offering to these core targets groups was broadened through the introduction of a medical package solution for commercial insurance. A clear trend is that claims costs are increasing sharply, particularly for claims pertaining to the body's mobility function, and that the frequency of claims related to minor complaints, such as colds and similar conditions, is significantly higher. If this trend continues, the costs for offering companies' employees sound medical insurance will be high, resulting in lower market growth. Instead of substantial premium hikes, Länsförsäkringar Sak has opted to implement a deductible from the initial doctor's appointment. The company's medical insurance has also been updated to include an improved care guarantee and mandatory referrals have been eliminated. This has further improved the quality of the insurance.

In early November, the Swedish Quality Index published the results of its most recent customer satisfaction survey. The Länsförsäkringar Alliance once again had the highest level of customer satisfaction in the area of medical insurance. One of the reasons for this high customer satisfaction is that the Länsförsäkringar Alliance offers the market's largest and broadest network of caregivers, which has proven to be a strong competitive advantage.

Since 2007, Länsförsäkringar has cooperated with Håll Sverige Rent (the Keep Sweden Tidy Foundation) and Stena Recycling to promote recycling and reduce the environmental impact of Sweden's agricultural sector. As part of the company's recycling insurance for agricultural customers, scrap and environmentally harmful waste is collected for recycling or destruction. In 2009, nearly 9,000 tonnes of agricultural scrap and 1.3 tonnes of environmentally harmful waste were collected from Swedish farmers. The company's insurance has attracted considerable national and international interest and is highly appreciated by customers. Recycling insurance reduces the risk of accidents and the impact on the environment, while at the same time enabling customers to dispose of

their waste in a safe and environmentally sound manner.

During the year, Länsförsäkringar Sak launched a number of insurance solutions targeting the area of renewable energy. These initiatives have included the introduction of a new insurance product for wind power plants in the Swedish market, as well as recycling insurance for wind power plants to ensure that the plants are dismantled once they are spent and that the land is restored. This offering has proven to be important for project planners when applying for permits to build wind farms. The insurance is in demand among those seeking a sustainable player to facilitate the investments necessary to meet society's goal of transitioning to renewable energy sources.

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is the proposed changes to third-party liability insurance. On January 11, 2010, the Swedish government received the final report on the investigation into "Expanded third-party liability insurance." The conclusion was that "Expanded third-party liability insurance" will not be implemented at this time. The Länsförsäkringar Alliance will continue to monitor the issue, since a reform would create new driving forces in the areas of claims adjustment and rehabilitation.

#### **Risks and risk management**

Länsförsäkringar Sak's largest risk exposures are considered to be its investment assets and its commitments in third-party liability insurance. From 2008, the claims annuities reserve is sensitive to interest-rate fluctuations. Refer also to Note 2 on page 18.

#### **Employees**

The Länsförsäkringar AB Group explicitly strives to establish a corporate culture that promotes improvement. The focus is on creating a performance-based organisation whose operations are characterised by the values of Trust, Commitment and Openness. To support this work, a model for performance management has been introduced with the aim of driving and improving employee perfor-



mance. Employee performance is based on measurable individual targets that are identified using the annual business plan. Each employee receives a target contract, in which his or her specific agreements are documented.

The employees' perceptions of their own performance terms are measured through the company's annual employee survey, which is then used to present employee performance and results in a performance index. The performance index for 2009 was 4.1 out of a possible 5.

A prerequisite for paying target-based remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Of the total target-based remuneration, 50% is based on exceeding the joint targets established in the business plan and 50% on the fulfilment of individual targets.

The total rate of sickness absence in Länsförsäkringar Sak was 3.8% (2.9).

To reduce sickness absence, Länsförsäkringar Sak takes a proactive approach to health through rehabilitation insurance. All employees also have medical insurance as a salary benefit. This insurance includes a healthcare advisory service that allows employees to receive personal and professional guidance year-round. The goal is to ensure that employees receive prompt care when they become ill, enabling them to regain their health and return to work.

In autumn 2008, Länsförsäkringar AB and its subsidiaries underwent an extensive change process designed to enhance competitiveness and reduce costs. The company's need for the right competencies was a critical factor in the appointment of the new organisation that came into effect on January 1, 2009. As with previous personnel reductions, Länsförsäkringar AB and its subsidiaries focused on assuming responsibility for their employees and assisting them in finding a new solution. This process included the establishment of a development programme, financial support in the form of a volunteer offering and a pension offering.

## Environment

Länsförsäkringar Sak works actively to

reduce the environmental impact of its offices and business activities. The company's direct environmental impact derives primarily from business travel and the consumption of electricity, heating and paper.

Recycling insurance and insurance for wind power plants are other ways in which the company promotes the reduction of society's environmental impact.

Länsförsäkringar Sak is included in the Parent Company's environmental management system, which has been awarded ISO 14001 certification. This certification is a guarantee that systematic environmental activities are carried out.

## Asset management

Länsförsäkringar Sak aims to generate a stable return on the investment assets in the company to achieve favourable profitability and to ensure that the capital base is sufficient in relation to the company's risks.

This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers and is achieved by applying an effective and competitive management model that takes risk levels into consideration.

## Development

Länsförsäkringar Sak follows a new management model with an increased focus on total return. The company's strategy involves reducing the active management mandate in markets that are broad, transparent and efficient, and instead implementing passive, simple and more cost-efficient solutions to capture market exposure. This approach is supplemented by taking active risks where it is deemed that managers have prime opportunities to generate surplus returns in terms of less efficient listed and unlisted markets.

## Risk level

Länsförsäkringar Sak is exposed to many different types of risk. In the non-life insurance operations, insurance risk can be divided into three areas: premium risk, reserve risk and disaster risk. The company's earnings are largely governed by the level of return in asset manage-

ment, meaning that it is important to follow and manage market risk.

For further comments concerning risk management, refer to Note 2 Risks and risk management.

## Management model

Länsförsäkringar Sak's portfolio structure for market exposure focuses on selecting the desired distribution of assets in the portfolios. In addition, major importance is attached to how the desired market exposure is to be achieved. The company's Asset Management unit offers considerable expertise in employing other efficient solutions to maintain passive market exposure rather than by using traditional management mandates, such as using various derivatives that generate added value through low management costs and simplified administrative management of transactions. Active work is undertaken to protect the portfolio from different types of risk. 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 rapid scope for action following changed market conditions at a lower management cost.

## Organisation and control

Länsförsäkringar Sak's Board of Directors adopts policies and instructions for the management of investment assets. This includes the Board continuously remaining



informed of the performance of the operations and, in the event of an unsatisfactory performance, deciding on corrective measures.

The task of Länsförsäkringar AB's Group-wide Asset Management unit is to conduct asset management activities on behalf of Länsförsäkringar Sak. This mandate includes assuming responsibility for formulating proposals for strategic allocation, proposing management structures and, after decisions are made by the Board, assuming responsibility for implementing and following up these decisions.

Asset Management defines the assignments for the asset managers, specifying clear risk levels and yield requirements. The task of the managers is to create the best possible return given the framework and guidelines they have received. This may mean that the managers choose a composition of securities that deviate from that of the portfolio's benchmark index.

The outsourced management assignments are evaluated by Asset Management, which regularly analyses the asset managers and management results. Länsförsäkringar Sak now works with several external managers.

### Earnings and financial position

Profit before appropriations and tax for 2009 amounted to SEK 511 M (loss: 2,807). Profit from insurance operations amounted to SEK 375 M (309) and the remaining investment income to SEK 135 M (expense: 3,116) (refer also to "Profit from financial operations").

### Profit from insurance operations

Premiums earned after ceded reinsurance rose 4.5% compared with the preceding year and amounted to SEK 1,539 M (1,473). This increase is mainly attributable to higher volumes for products in the area of medical insurance, as well as accident and medical insurance for adults.

In 2009, business was underwritten in the areas of medical, accident, cargo and product liability insurance, some property insurance, commercial automotive cover for national customers (third-party liability and motor-vehicle insurance), assumed reinsurance and recycling insurance.

Claims payments after ceded reinsurance amounted to SEK 1,236 M (1,156), resulting in a claims ratio of 80% (78).

As in the preceding year, the claims ratio was affected positively by the run-off profit on older year classes. The claims outcome was favourable during the year, with the exception of vehicle damage covered by motor-vehicle insurance. Since 2004, most third-party liability policies have been underwritten by the local regional insurance companies. The provision for claims incurred for third-party liability insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak.

Technical reserves, before ceded reinsurance (gross), decreased SEK 124 M, while technical reserves for own account declined SEK 306 M. The change in gross reserves was attributable to a decline in the run-off of third-party liability insurance and the development of reserves in the Länsförsäkringar Alliance's joint reinsurance solution. The decline in reserves for own account was due to the run-off of the provision for claims incurred in third-party liability insurance (run-off transactions).

The reserve run-off result, which can be described as a short-term measurement of the quality of the provision for claims incurred, amounted to SEK 485 M (205), gross, or slightly less than 3% of the provision for claims incurred at the beginning of the year. This run-off profit was primarily attributable to ceded reinsurance, commercial and property insurance, cargo insurance and medical and accident insurance.

Investment income transferred from financial operations amounted to SEK 388 M (464). For third-party liability insurance, which remains the line of business with the largest technical reserves and thus the largest investment income, an interest rate of 3.5% (3.5) was used.

The insurance operations displayed favourable profitability, although the combined ratio has historically been and remains at a high level, since the incidence of transactions of a long duration is frequent. This means that the investment income transferred to insurance operations

is relatively high compared with premiums earned after ceded reinsurance.

Operating expenses decreased compared with the preceding year and amounted to SEK 321 M (478). The expense ratio was 21% (32). The improvement in operating expenses was primarily attributable to profit for 2008 being charged with costs for the restructuring of the Länsförsäkringar AB Group and the establishment of operations in the Baltic States.

Third-party liability insurance also remained a major line of business and recognised profit of SEK 205 M (239). This profit derived from the run-off transactions described above and from the national motor-vehicle insurance transactions that will partly continue to be underwritten within Länsförsäkringar Sak.

Assumed reinsurance, comprising active reinsurance business and run-off business, also generated a profit during the year. Internationally assumed transactions reported favourable results and the market situation is stable.

The Länsförsäkringar Alliance received very few major claims during the year. The positive claims profile strengthened the procurement of reinsurance for 2010 and the prices for external reinsurance have declined somewhat.

All insurance classes reported positive results, with the exception of motor-vehicle insurance and direct insurance for foreign risks. The motor-vehicle insurance class was charged with expenses for deficiency supplements and direct insurance for foreign risks pertains to expense for the discontinuation of operations in the Baltic States.

### Profit from financial operations

The market value of investment assets (excluding shares and participations in Group companies) amounted to SEK 13,814 M (13,384) at year-end. The distribution among various classes of assets is shown in the table below. The total return for 2009 was 6.4% (neg: 13.3), while the five-year average was 3.9% (3.5). Interest-bearing assets provided a total return of 6.6% (3.2), while equities generated a return of 52.0% (neg: 44.6) and strategic holdings a return of negative 0.4% (pos: 3.7).

Property provided a total return of 8.8% (3.0). The properties Brobyggaren and Mullvaden, located in downtown Stockholm, were sold to newly established tenant-owners' associations during the

year. The total return includes a change in the surplus values of properties in Group companies. These surplus values are not included in investment income in the income statement.

#### DISTRIBUTION OF INVESTMENT ASSETS, LÄNSFÖRSÄKRINGAR SAK (INCLUDING PROPERTIES IN GROUP COMPANIES)

Amounts in SEK M Investments	Market value, Jan. 1, 2009	%	Market value Dec. 31, 2009	%
Interest-bearing	10,286	76.9	10,655	77.1
Shares and change in strategic holdings	497	3.7	607	4.4
Property	2,601	19.4	2,553	18.5
<b>Total</b>	<b>13,384</b>	<b>100</b>	<b>13,814</b>	<b>100</b>

#### Tax

On January 1, 2010, new legislation came into effect that will result in future tax exemptions for divestments of participations in limited partnerships that, for tax purposes, constitute a share of equity. In accordance with the rules in effect during the period of transition to this tax exemption, Länsförsäkringar Sak recognised a deferred tax liability in its year-end financial statements pertaining to the downward adjustment of acquisition expenses for participations in Humlegården HB.

electronic money, the Board of Directors is to adopt a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

#### Proposed appropriation of profit

According to the balance sheet of Länsförsäkringar Sak Försäkringsaktiebolag (publ), the following non-restricted

shareholders' equity is at the disposal of the Annual General Meeting.

Retained earnings	SEK 355,246,962
Net profit for the year	SEK 364,739,078
<b>Total</b>	<b>SEK 719,986,040</b>

The Board of Directors and the President propose that SEK 352,000,000 of this profit be distributed to the Parent Company and SEK 367,986,040 be carried forward.

#### Solvency

Solvency capital increased during the year to SEK 2,826 M (2,061). The solvency margin increased to 173% (129).

#### Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration to senior executives, are provided in Note 34 Employees and staff costs. Information regarding sickness absence and gender distribution in company management is also provided in Note 34.

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (2009:7) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing



## Five-year summary

RESULTS, SEK M	2005	2006	2007	2008	2009
Premiums earned (after ceded reinsurance)	1,045	1,158	1,340	1,473	1,539
Investment income transferred from financial operations	391	368	383	464	388
Claims payments after ceded reinsurance	-932	-916	-1,094	-1,156	-1,236
Operating expenses	-233	-333	-406	-478	-321
Other income and expenses	-	-	7	6	6
<b>Technical result for insurance operations</b>	<b>271</b>	<b>277</b>	<b>231</b>	<b>309</b>	<b>375</b>
Remaining investment income	1,585	314	814	-3,116	135
<b>Profit/loss before appropriations and tax</b>	<b>1,856</b>	<b>591</b>	<b>1,045</b>	<b>-2,807</b>	<b>511</b>
<b>Net profit/loss for the year</b>	<b>1,621</b>	<b>457</b>	<b>577</b>	<b>-1,800</b>	<b>364</b>

### Premium income (after ceded reinsurance)

Non-life insurance	1,073	1,148	1,332	1,601	1,638
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### FINANCIAL POSITION, SEK M

Investment assets	17,312	16,564	16,721	13,326	13,444
Technical reserves (after ceded reinsurance)	12,896	12,461	12,705	12,539	12,234

### Solvency capital

Shareholders' equity	2,517	1,718	2,143	406	924
Deferred tax	1	132	128	-533	-332
Untaxed reserves	1,229	1,229	1,479	1,139	1,139
Surplus values	556	811	1,102	1,049	1,098
<b>Solvency capital</b>	<b>4,304</b>	<b>3,890</b>	<b>4,852</b>	<b>2,061</b>	<b>2,829</b>
<b>Solvency margin, %</b>	<b>401</b>	<b>339</b>	<b>364</b>	<b>129</b>	<b>173</b>
<b>Capital base</b>	<b>2,880</b>	<b>4,060</b>	<b>4,238</b>	<b>2,513</b>	<b>2,912</b>
<b>Required solvency margin</b>	<b>291</b>	<b>409</b>	<b>452</b>	<b>438</b>	<b>355</b>
<b>Capital base for the insurance group</b>				<b>1,970</b>	<b>2,409</b>
<b>Required solvency margin for the insurance group</b>				<b>833</b>	<b>793</b>

### KEY FIGURES

#### Insurance operations

Claims ratio	80	79	82	78	80
Expense ratio	22	29	30	32	21
Combined ratio	111	108	112	111	101

#### Asset management, %

Direct yield	3.5	3.1	3.1	3.3	2.6
Total return, including properties in Group companies	11.7	6.4	8.4	-13.3	6.4

From January 1, 2007, the company applies legally restricted IFRS.

The figures for 2006 in the five-year summary are restated in accordance with IFRS. The figures for 2005 were not restated in accordance with IFRS.

#### 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.

#### 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 management costs, in relation to the average value of these assets during the year.



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## Income statement

TECHNICAL RECOGNITION OF NON-LIFE INSURANCE OPERATIONS, SEK M		2009	2008
<b>Premiums earned (after ceded reinsurance)</b>			
Premium income	Note 3	3,886.8	4,000.1
Premiums for ceded reinsurance		-2,248.6	-2,398.8
Change in provision for unearned premiums and unexpired risks		-192.4	-207.3
Reinsurers' portion of change in provision for unearned premiums and unexpired risks		93.1	79.4
		<b>1,538.9</b>	<b>1,473.4</b>
Investment income transferred from financial operations	Note 4	387.8	463.6
Other technical revenue (after ceded reinsurance)	Note 5	5.8	6.1
<b>Claims payments (after ceded reinsurance)</b>			
<b>Claims paid</b>			
Before ceded reinsurance		-2,677.7	-2,765.7
Reinsurers' portion		1,007.1	1,207.2
	Note 6	<b>-1,670.6</b>	<b>-1,558.5</b>
<b>Change in provision for claims outstanding</b>			
Before ceded reinsurance		331.4	333.6
Reinsurers' portion		103.4	68.8
		<b>424.8</b>	<b>402.4</b>
<b>Claims payments (after ceded reinsurance)</b>		<b>-1 235.7</b>	<b>-1,156.1</b>
Operating expenses	Note 7	-321.3	-477.7
<b>TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS</b>		<b>375.5</b>	<b>309.4</b>
<b>NON-TECHNICAL RECOGNITION</b>			
Technical result, non-life insurance operations		375.5	309.4
Investment income, revenue	Note 8	743.3	841.9
Unrealised gains on investment assets	Note 10	378.1	220.6
Investment income, expenses	Note 9	-509.2	-3,001.5
Unrealised losses on investment assets	Note 10	-88.7	-713.9
Investment income transferred to non-life insurance operations		-387.8	-463.6
<b>Profit/loss before appropriations and tax</b>		<b>511.2</b>	<b>-2,807.2</b>
Appropriations		-	340.6
<b>Profit/loss before tax</b>		<b>511.2</b>	<b>-2,466.6</b>
Tax on net profit for the year	Note 11	-146.5	666.3
<b>Net profit/loss for the year</b>		<b>364.7</b>	<b>-1,800.3</b>

## Performance analysis

SEK M	Total	Medical and accident	Household and homeowner	Commercial and property	Motor vehicle	Third-party liability	Marine, air and cargo	TFA	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed reinsurance
<b>Technical result, non-life insurance operations</b>											
Premiums earned (after ceded reinsurance)	1,538.9	620.6	–	209.3	106.6	54.2	87.4	–	1,078.1	0.7	460.2
Investment income transferred from financial operations	387.8	50.4	1.2	33.1	3.5	244.4	7.2	–	339.8	0.0	48.0
Other technical revenue (after ceded reinsurance)	5.8	–	–	–	–	5.7	–	–	5.7	0.1	–
Claims payments (after ceded reinsurance)	–1,235.7	–432.5	–0.9	–140.8	–188.1	–80.0	–39.1	–	–881.4	–0.1	–354.3
Operating expenses	–321.3	–113.7	–	–43.1	–17.2	–19.3	–24.2	–	–217.5	–13.5	–90.3
Technical result, non-life insurance operations, 2009	375.5	124.8	0.3	58.5	–95.2	205.0	31.3	–	324.7	–12.8	63.6
Technical result, non-life insurance operations, 2008	309.4	31.6	0.0	74.3	–40.9	239.2	23.6	0,0	327.9	–20.2	1.6
Gross run-off profit/loss, 2009	484.7	96.3	0.5	69.2	–19.0	3.4	43.0	–	193.4	0.6	290.7
<b>Technical reserves, before ceded reinsurance</b>											
Provision for unearned premiums and unexpired risks	797.7	156.4	1.1	181.8	427.6	12.5	22.9	–	802.3	0.5	–5.1
Provision for claims outstanding	17,348.4	1,114.4	34.6	958.7	64.8	9,036.7	183.1	–	11,392.3	4.0	5,952.1
Total technical reserves, before ceded reinsurance	18,146.1	1,270.8	35.7	1,140.5	492.4	9,049.2	206.0	–	12,194.6	4.5	5,947.0
<b>Reinsurers' portion of technical reserves</b>											
Provision for unearned premiums and unexpired risks	247.9	–	–	83.0	166.7	–	0.8	–	250.5	0.2	–2.8
Provision for claims outstanding	5,664.7	16.0	0.3	58.0	17.2	476.0	22.1	–	589.6	0.4	5,074.8
Total reinsurers' portion of technical reserves	5,912.6	16.0	0.3	141.0	183.9	476.0	22.9	–	840.1	0.6	5,072.0

## Notes to performance analysis

SEK M	Total	Medical and accident	Household and homeowner	Commercial and property	Motor vehicle	Third-party liability	Marine, air and cargo	TFA	Direkt insurance Swedish risks	Direkt insurance foreign risks	Assumed reinsurance
<b>Note A Premiums earned (after ceded reinsurance)</b>											
Premium income	3,886.8	639.6	–	324.4	295.4	53.7	95.7	–	1,408.8	1.8	2,476.2
Premiums for ceded reinsurance	–2,248.6	–0.4	–	–103.0	–101.9	–10.7	–5.8	–	–221.8	–1.0	–2,025.8
Change in provision for unearned premiums and unexpired risks	–192.4	–18.7	–	–18.2	–163.1	11.2	–2.4	–	–191.2	–0.3	–0.9
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	93.1	–	–	6.2	76.2	–	–0.2	–	82.2	0.2	10.8
<b>Note B Claims payments (after ceded reinsurance)</b>											
<b>Claims paid</b>											
Before ceded reinsurance	–2,677.7	–506.9	–0.5	–184.3	–232.7	–581.7	–29.1	–	–1,535.2	–0.2	–1,142.2
Reinsurers' portion	1,007.1	2.2	–	15.5	59.8	28.5	0.5	–	106.5	–	900.6
<b>Change in provision for claims outstanding</b>											
Before ceded reinsurance	331.4	74.2	–0.1	31.9	–27.5	470.6	13.3	–	562.4	0.2	–231.1
Reinsurers' portion	103.4	–2.1	–0.3	–4.0	12.3	2.6	–23.7	–	–15.2	–	118.5

## Balance sheet

SEK M		Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	Note 12	98.2	120.4
<b>Investment assets</b>			
Land and buildings	Note 13	–	93.0
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 14	1,836.1	1,833.3
Loans to Group companies	Note 15	1,865.3	1,364.1
Shares and participations in associated companies	Note 16	18.7	18.7
Other financial investment assets			
Shares and participations	Note 17	814.1	939.8
Bonds and other interest-bearing securities	Note 18	8,733.8	8,819.5
Derivatives	Note 19	33.3	206.1
Other financial investment assets		92.6	–
Deposits with companies that have ceded reinsurance		50.5	51.7
		<b>13,444.4</b>	<b>13,326.0</b>
<b>Reinsurers' portion of technical reserves</b>			
Unearned premiums and unexpired risks		247.9	155.1
Claims outstanding		5,664.7	5,575.8
	Note 25	<b>5,912.6</b>	<b>5,730.9</b>
<b>Receivables</b>			
Receivables, direct insurance	Note 20	172.7	195.9
Receivables, reinsurance		171.2	216.5
Deferred tax	Note 26	331.6	532.7
Other receivables	Note 21	685.8	836.6
		<b>1,361.3</b>	<b>1,781.7</b>
<b>Other assets</b>			
Cash and bank balances		573.3	541.6
		<b>573.3</b>	<b>541.6</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest and rental income		60.4	163.2
Prepaid acquisition costs	Note 23	16.3	14.4
Other prepaid expenses and accrued income	Note 24	11.2	39.5
		<b>87.9</b>	<b>217.1</b>
<b>TOTAL ASSETS</b>		<b>21,477.7</b>	<b>21,717.7</b>

SEK M		Dec. 31, 2009	Dec. 31, 2008
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		200.0	200.0
Other reserves			
Statutory reserve		4.0	4.0
Retained earnings		355.2	2,002.6
Net profit/loss for the year		364.7	– 1,800.3
		<b>923.9</b>	<b>406.3</b>
<b>Untaxed reserves</b>			
Contingency reserve		1,138.8	1,138.8
		<b>1,138.8</b>	<b>1,138.8</b>
<b>Technical reserves (before ceded reinsurance)</b>			
Unearned premiums and unexpired risks		797.7	605.6
Claims outstanding		17,348.4	17,664.7
	Note 25	<b>18,146.1</b>	<b>18,270.3</b>
<b>Other provisions</b>			
Pensions and similar commitments		3.2	3.7
Other provisions	Note 27	207.4	200.7
		<b>210.6</b>	<b>204.4</b>
<b>Deposits from reinsurers</b>			
		<b>39.6</b>	<b>46.2</b>
<b>Liabilities</b>			
Liabilities, direct insurance	Note 28	328.6	446.8
Liabilities, reinsurance		353.5	278.2
Derivatives	Note 19	47.1	449.6
Other liabilities	Note 29	83.9	99.1
		<b>813.1</b>	<b>1,273.7</b>
<b>Accrued expenses and deferred income</b>			
Other accrued expenses and deferred income	Note 30	205.4	378.0
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>21,477.7</b>	<b>21,717.7</b>
<b>Memorandum items</b>			
	Note 33		
Pledged assets		13,371.6	13,171.5
Contingent liabilities		35.9	116.4



## Statement of changes in shareholders' equity

## Changes in shareholders' equity

	Share capital	Statutory reserve	Retained earnings	Net profit/loss for the year	Total shareholders' equity
<b>SEK M</b>					
Opening shareholders' equity, January 1, 2008	200.0	4.0	1,939.3		2,143.3
Adjustment for changed accounting policy			-38.5		-38.5
Dividends to Parent Company			-350.0		-350.0
Group contributions paid/received			1.8		1.8
Shareholders' contribution received			450.0		450.0
Net loss for the year				-1,800.3	-1,800.3
<b>Closing shareholders' equity, December 31, 2008</b>	<b>200.0</b>	<b>4.0</b>	<b>2,002.6</b>	<b>-1,800.3</b>	<b>406.3</b>
Opening shareholders' equity, January 1, 2009	200.0	4.0	202.3		406.3
Group contributions paid/received			152.9		152.9
Net profit for the year				364.7	364.7
<b>Closing shareholders' equity, December 31, 2009</b>	<b>200.0</b>	<b>4.0</b>	<b>355.2</b>	<b>364.7</b>	<b>923.9</b>
Number of shares at a par value of SEK 100 each	2,000,000				
Share capital and the statutory reserve are classified as restricted shareholders' equity.					

## Cash-flow statement

SEK M	2009	2008
<b>Operating activities</b>		
Profit/loss before tax	511.2	-2,807.2
Adjustment for non-cash items	-631.0	332.7
Tax paid	-	-214.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>-119.8</b>	<b>-2,688.6</b>
<b>Cash flow from changes in working capital</b>		
Investments in investment assets, net	272.6	4,228.5
Increase(-)/Decrease(+) in operating receivables	500.0	344.4
Increase(+)/Decrease(-) in operating liabilities	-201.5	-1,267.3
<b>Cash flow from operating activities</b>	<b>451.3</b>	<b>617.0</b>
<b>Investing activities</b>		
Shareholders' contribution paid	-60.0	-83.2
Dividend from subsidiaries and associated companies	49.6	-
Divestment/merger of subsidiaries	27.1	-
Acquisition of subsidiaries	-	-964.4
Change in loans granted	105.0	80.0
Change in holdings in associated companies	-	0.3
Investments in intangible assets	-5.8	-11.2
<b>Cash flow from investing activities</b>	<b>115.9</b>	<b>-978.5</b>

## Cash-flow statement, cont'd.

SEK M	2009	2008
<b>Financing activities</b>		
Shareholders' contribution received	-	450.0
Dividends to Parent Company	-	-350.0
Group contributions paid/received	1.7	-4.8
Loans granted	Note 15 -606.2	-54.1
<b>Cash flow from financing activities</b>	<b>-604.5</b>	<b>41.1</b>
<b>Net cash flow for the year</b>	<b>-37.4</b>	<b>-320.4</b>
Cash and cash equivalents, Jan. 1	948.9	1,269.2
Cash and cash equivalents, Dec. 31	911.5	948.8

## SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT

SEK M	2009	2008
<b>Interest paid and received and dividends received</b>		
Dividends received	1.4	75.2
Interest received	342.4	487.8
Interest paid	-35.6	-146.7
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment of assets	43.6	36.7
Unrealised gains/losses on investment assets	-289.4	493.3
Technical reserves after ceded reinsurance	305.9	-165.4
Pension provisions	-11.6	-14.2
Other provisions	-679.5	-46.1
	<b>-631.0</b>	<b>332.7</b>

## Cash and cash equivalents

Cash and bank balances*	573.3	541.6
- of which, Länsförsäkringar Bank	298.1	-

## Receivables from Group companies

Länsförsäkringar Bank	-	211.6
Länsförsäkringar AB, Group bank account	338.2	195.6
	<b>911.5</b>	<b>948.8</b>

\* For 2009, the balance for Länsförsäkringar Bank is included in "Cash and bank balances."

## Acquisition of subsidiaries

## Acquired assets and liabilities

Land and buildings	-	197.8
Goodwill	-	369.1
Intangible assets	-	463.4
Property and equipment	-	15.4
Operating receivables	-	532.3
Investment assets	-	990.1
Cash and cash equivalents	-	274.2
<b>Total assets</b>	<b>-</b>	<b>2,644.5</b>
Deferred tax	-	-297.5
Technical reserves	-	-1,164.4
Operating liabilities	-	-196.8
<b>Total liabilities and provisions</b>	<b>-</b>	<b>-1,658.7</b>
Paid purchase price	-	1,238.6
Less acquired cash and cash equivalents	-	-274.2
<b>Impact on cash and cash equivalents</b>	<b>-</b>	<b>964.4</b>

# Notes to the financial statements

## NOTE 1 ACCOUNTING POLICIES

The Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general advice of the Swedish Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26) and reporting recommendation RFR 2.2 issued by the Swedish Financial Reporting Board. Länsförsäkringar Sak applies legally restricted IFRS, meaning the international financial reporting standards adopted for application with the restrictions stipulated by RFR 2.2 and FFFS 2008:26. This means that all IFRS and interpretation statements 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.

The accounting policies applied below have been applied consistently for all periods presented in this Annual Report. An exception is the five-year summary, which is restated for 2009-2006 in accordance with legally restricted IFRS.

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 thousand. Assets and liabilities are recognised at cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments, financial assets classified as financial assets measured at fair value in profit and loss or property.

### Assessments and estimates in the financial statements

The preparation of the financial statements in accordance with legally restricted IFRS requires that management make a number of judgments and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. These estimates and judgments are based on historical experience and a range of other factors considered reasonable given the prevailing circumstances. The assumptions and judgments that form the basis of the estimates and judgments are reviewed regularly. 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.

### Foreign currency

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 rate 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 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 associated companies, Länsförsäkringar Mäklarservice AB and the 24 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 budget process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Refer to Note 36 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 flow.

## 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 in 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.

**NOTE 1 ACCOUNTING POLICIES, cont'd.**

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

**Technical reserves**

Technical reserves comprise "Provision for unearned premiums and unexpired risk" and "Provision for claims outstanding".

*Provision for unearned premiums and unexpired risks*

Provision for unearned premiums is designed to cover the expected claims and operating expenses during the remaining time to maturity of insurance contracts already in force. The calculation includes an estimate of the expected costs for claims that may occur during the remaining term of the insurance policies and the management costs during the period.

Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. For certain products with small volumes, unearned premiums are not calculated as a share of the premium income.

The cost estimate is based on Länsförsäkringar Sak's experience, but consideration is also given to both the observed and forecast trend in relevant costs.

Unexpired risks refers to the risk that the payment requirements of the insurance contracts and the costs will not be covered by unearned premiums and expected premiums after the end of the fiscal year.

If the premium level of insurance contracts already entered into is deemed to be insufficient, a provision is made for unexpired risks.

The change for the period in "Provision for unearned premiums and unexpired risks" is recognised in profit and loss. Changes attributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income".

*Provision for claims outstanding*

The provision for claims outstanding should cover anticipated costs for claims for which final settlement has not been completed, including claims that have been incurred but have not yet been reported to the company. The provision includes anticipated future cost increases plus all expenses for claims adjustment and is based on statistical methods for most claims. An individual assessment is made in the case of major claims and claims involving complex liability conditions.

With the exception of medical and accident insurance for children and claims annuities, the provision for claims outstanding is not discounted.

In the case of medical and accident insurance for children, a business for which active operations are transferred to the regional insurance companies, discounting at a rate of 3.0% is applied. The provision for claims annuities is discounted in line with customary life assurance methods and measured at market value using current interest rates under FFFS 2008:23. The effect of interest-rate revaluations is recognised as a financial expense or income.

For third-party liability insurance, provisions are made for claims adjustment costs according to the unit cost principle. Provisions for claims adjustment costs for other types of insurance are made proportionally against the provision for claims incurred.

The provision for claims incurred but not reported (IBNR) encompasses costs for claims that have been incurred but are unknown to the company. The amount is an estimate based on historical experience and claims outcomes.

The change in claims outstanding for the period is recognised in profit and loss. Changes attributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income".

**Prepaid acquisition costs for insurance contracts**

Selling expenses that have a distinct link to signed insurance contracts are recognised as assets, prepaid acquisition costs, and are depreciated over their useful lives. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogenous 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.

**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 payments paid". Operating expenses for financial management are recognised under "Investment income, expenses".

**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 reserves 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 reserves corresponds to the reinsurers' responsibility for technical reserves in accordance with signed contracts. Länsförsäkringar Sak assesses the impairment requirements of assets for reinsurance contracts twice a year. If the

**NOTE 1 ACCOUNTING POLICIES, cont'd.**

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 the income statement.

**Investment income***Investment income transferred from financial operations*

The insurance operations have been assigned an interest totalling half the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. This interest rate, which comprises risk-free interest, was set at 3.5% for 2009 for provisions in SEK.

*Investment income, revenue*

The item "Investment income, revenue" refers to the return on investment assets and encompasses rental income from land and buildings, dividends on shares and participations, interest income, exchange-rate gains and capital gains.

*Investment income, expenses*

Costs for investment assets are recognised under "Investment income, expenses." This item includes operating expenses for land and buildings, asset management expenses, interest expense, exchange-rate losses and capital losses.

*Realised and unrealised changes in value*

For investment assets measured at fair value, the capital gain is the positive difference between sales price and cost. For interest-bearing securities, cost comprises amortised cost.

**Tax**

Tax is recognised in accordance with IAS 12. Tax on net profit for the year comprises current tax and deferred tax. Tax is recognised in profit and loss, except when a transaction with a tax effect is recognised directly against shareholders' equity.

Current tax is tax that shall be paid or received in the current year. 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. The amounts are calculated on the basis of how the temporary differences are expected to be settled and applying the tax rates and tax rules established or announced 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 they will result in lower tax payments in the future.

**Other intangible assets**

Other intangible assets are recognised at cost with deductions for accumulated amortisation according to plan.

For customer registers, amortisation commences from the date of acquisition of the register. The asset comprises a customer regis-

ter for the products in medical and accident insurance for adults, group accident insurance and group medical insurance.

For proprietary software, amortisation commences when the system or part of the system is put into use. The assets comprise proprietary software that is deemed to be of material value for the operations in the coming year. Only expenses related to new development and major system changes are capitalised.

Capitalised development expenditures are amortised from the date on which the asset was utilised in production and over its estimated useful life.

Useful life is set at five years, except for the customer register for group accident and group medical insurance, which has a useful life of eight years. If, at the accounting year-end, there is an indication that the value according to plan of an intangible asset is higher than its recoverable amount, an assessment is made of the asset's recoverable amount. Recoverable amount refers to the higher of the asset's net selling price and its value in use. If the established recoverable amount is less than the carrying amount, the asset's carrying amount is impaired to the recoverable amount.

**Land and buildings**

Land and buildings are measured at fair value. The valuation of the property portfolio was performed by an external appraiser.

The valuation primarily used a location-price analysis based on sales of similar properties. The location-price analysis was supplemented with a cash-flow statement. Since valuation is based on fair value, depreciation is not applied to property.

The company sold its properties in 2009.

**Financial instruments**

Financial instruments recognised in the balance sheet include, on the asset side, accounts receivable, shares and other equity instruments, loan receivables, interest-bearing securities and derivatives. Accounts payable, loan liabilities and derivatives are found on the liabilities side.

**Classification and valuation**

The cost of a financial instrument classified as a financial asset recognised at fair value in profit and loss comprises the purchase price, excluding transaction costs. Accordingly, transaction costs for these instruments are expensed directly as asset management expenses. For other financial instruments, cost corresponds to the instrument's purchase price, including transaction costs. After the instrument has been acquired, the recognition and valuation of financial instruments depends on how the instrument is classified according to the following.

*Financial assets measured at fair value in profit and loss*

Financial instruments in this category are continuously measured at fair value, with changes in value recognised in profit and loss. This includes derivatives with positive fair values.

*Financial instruments listed on an active market*

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the ba-



**NOTE 1 ACCOUNTING POLICIES, cont'd.**

balance-sheet date with no additions for transaction costs on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker or industry organisation, etc., and these prices represent actual and regularly occurring market transactions based on commercial terms.

*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 valuation techniques applied are based on market data as far as possible. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows. The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. The item "Shares and participations" also includes the asset class "Alternative investments," which comprise units in funds that buy, develop and sell unlisted companies (private equity) and hedge funds. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association.

*Derivatives*

Derivative instruments are recognised at fair value based on externally obtained price information.

*Shares and interest-bearing securities*

Shares are measured at fair value. Fair value pertains to the sales value on the balance-sheet date. For shares listed on an authorised exchange or marketplace, the sales value normally pertains to the most recent buying-rate on the balance-sheet date or, if this is not available, the most recently listed price paid.

Bonds and other interest-bearing securities are also measured at fair value according to the most recently listed buying-rate. Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between sales value and amortised cost. In the calculation of amortised cost, the difference between cost and exercise price is allocated in profit and loss over the remaining term. The change in amortised cost is recognised net under "Interest income." Unrealised changes comprise the difference between fair value and amortised cost.

*Other interest-bearing assets and liabilities*

Other receivables are measured at fair value. Foreign receivables are valued in their original currency to be subsequently translated at the closing day rate. Exchange-rate differences that arise are recognised net in profit and loss as exchange-rate gains/losses.

**Loans receivable and accounts receivable**

Loans receivable and accounts receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These assets are measured at amortised cost. Accounts receivable and loan receivables are recognised in the amount at which they are expected to be received, meaning after deductions for impaired loans.

**Financial liabilities measured at fair value in profit and loss**

This category of instrument comprises derivatives with negative market values. All derivatives are classified as held for trading. Financial liabilities held for trading are included in the category of financial liabilities measured at fair value, with changes in value recognised in profit and loss.

**Other financial liabilities**

Other financial liabilities (Borrowing and other financial liabilities, for example, accounts payable) measured at amortised cost.

**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."

**Untaxed reserves**

Changes in untaxed reserves are recognised, according to Swedish practice, in the 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 26.3% can be considered to be deferred tax liabilities and 73.7% as restricted shareholders' equity. The deferred tax liabilities can be described as interest-free liabilities with an undetermined duration.

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

*Contingency reserve*

The contingency reserve is a collective contingency-related strengthening of technical reserves. Access is limited and requires official permission in certain cases.

**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,

**NOTE 1 ACCOUNTING POLICIES, cont'd.**

through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also 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 30 of IAS 19. Also, no infor-

mation is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions to the plan in future years.

**Contingent liabilities**

Contingent liabilities are recognised when a commitment exists that has not been recognised as a liability or provision because it is not likely that an outflow of resources will be required.

**Cash-flow statement**

Cash-flow statements are prepared in accordance with the indirect method. The recognised cash flow includes only transactions that involve receipts or payments.

**NOTE 2 RISKS AND RISK MANAGEMENT****Focus and targets 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. The main purpose of risk management is to ensure that risks are identified, that risk assessment is impartial, and that the capital base is adequate in relation to the risks.

This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers.

The following factors characterise Länsförsäkringar Sak's risk taking:

- Conducting business activities.
- Conducting non-life insurance operations.
- Focusing primarily on small and medium-sized companies and private individuals.
- Relatively low retention in non-life insurance operations.
- Operations focus on Sweden.
- Taking risk in investment portfolios by having significant exposure to various markets and classes of assets, on the condition that the company's capital strength and decisions on the use of capital in the Länsförsäkringar AB Group permit this.

**THE FOLLOWING SUMMARY PROVIDES AN OVERVIEW OF LÄNSFÖRSÄKRINGAR SAK'S RISK EXPOSURE**

SEK billion	Dec. 31, 2009	Change from Dec. 31, 2008		Dec. 31, 2009	Change from Dec. 31, 2008
<b>Investments</b>			Shareholders' equity	0.9	0.5
Shares and participations	0.8	-0.1	Untaxed reserves	1.1	-
Interest-bearing assets	8.7	-0.1	<b>Technical reserve (gross)</b>		
Derivatives	0.1	-0.1	Third-party liability	9.0	-0.5
Other investment assets	1.9	-0.1	Commercial and property	1.1	-
Loans to Group companies	1.9	0.5	Medical and accident	1.3	-
			Assumed reinsurance	5.9	-0.1
			Other insurance classes	0.8	-0.2
Reinsurers	5.9	0.2	Other liabilities	1.4	-0.5
Other assets	2.0	-0.5			
<b>Total assets</b>	<b>21.5</b>	<b>-0.2</b>	<b>Total shareholders' equity and liabilities</b>	<b>21.5</b>	<b>-0.2</b>

Länsförsäkringar Sak's largest risk exposure is deemed to be the commitments in third-party liability insurance. The company is exposed to many different types of risk. In the non-life insurance operations, insurance risk can be divided into three areas: premium risk, reserve risk and disaster risk. The company's earnings are largely governed by the level of return in asset management, meaning that it is important to follow and handle market risk. Länsförsäkringar Sak employs a Dynamic Financial Analysis (DFA) model for quantifying individual risks and the overall risk profile. The DFA model is based on both the investment and insurance opera-

tions and takes into account, for example, the reinsurance structure and allocation of investments. Operational risk, defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events, are found in all parts of the company's operations.

**Risk management organisation**

Länsförsäkringar Sak's process for internal controls and risk management was designed for the purpose of identifying risks and providing a reasonable assurance of reliability in financial re-

**NOTE 2 RISKS AND RISK MANAGEMENT, cont'd.**

porting, and to ensure that financial statements are prepared in accordance with the law and generally accepted accounting principles and other requirements imposed on insurance companies.

Länsförsäkringar Sak's Risk Manager is responsible for risk reporting and is charged with analysing and reporting the total risk exposure and promoting an efficient risk-management organisation within the company. In 2009, reporting took place in accordance with the Solvency II risk model.

Within Länsförsäkringar Sak, there is a Finance/Risk Committee that prepares and discusses matters relating to risk. In addition to this, the Länsförsäkringar AB Group has a joint Finance Committee, which serves as a forum for financial business-environment and macroeconomic analyses. The Committee prepares and coordinates issues concerning asset management that, for example, are to be submitted to Länsförsäkringar Sak's Board of Directors for a decision. The Committee also ensures compliance with investment orientations decided by the Boards and established targets. The Board of Directors of Länsförsäkringar Sak appoints a representative to the Finance Committee.

Within the Länsförsäkringar AB Group's common areas, every effort is made to coordinate procedures and find joint courses of action by establishing Group-wide basic rules. These basic rules are described in controlling documents comprising policies, guidelines and instructions. The controlling documents must be approved and incorporated in each subsidiary, which is the responsibility of each President. Examples of controlling documents are the Group manual, reporting manual, guidelines for handling ethical issues, authorisation manual and security policy. In addition to the Group-wide controlling documents, Länsförsäkringar Sak has its own company-specific controlling documents, such as the company manual, authorisation manual, investment guidelines, insurance guidelines and guidelines for underwriting business. The steering documents are updated and then approved by the Board once each year. Risk management within Länsförsäkringar Sak is decentralised, which means that the heads of the individual business areas take responsibility for the risk-management within the parameters set forth by the Board.

An independent review function – Internal Audit – has been established to assist the Board of Directors in following up the operations' compliance with decisions made by the Board of Directors.

Through review and reporting, the Internal Audit shall form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. Internal Audit reports to the Länsförsäkringar AB Group's Board of Directors and to the Boards of subsidiaries (including that of Länsförsäkringar Sak).

The task of the Compliance Function is to provide support in identifying risks that may arise in operations as a result of deficient compliance with regulations. Since deficient compliance with regulations could give rise to a risk of financial losses or loss of reputation, the function fulfils a preventive role in assessing such risks and, if necessary, helping to draw up internal rules. The function reports to the President, company management and the Board of Directors.

**Risk, capital and solvency**

The management of risk taking is closely related to the control of the use of Länsförsäkringar Sak's capital. Länsförsäkringar Sak has a capital base that exceeds the statutory necessary solvency margin by a healthy margin. The Swedish Financial Supervisory Authority has further developed a surveillance tool – the traffic-light model – which aims at measuring the exposure to financial risks and insurance risk. Länsförsäkringar Sak reports a significant surplus of capital compared with the requirements imposed.

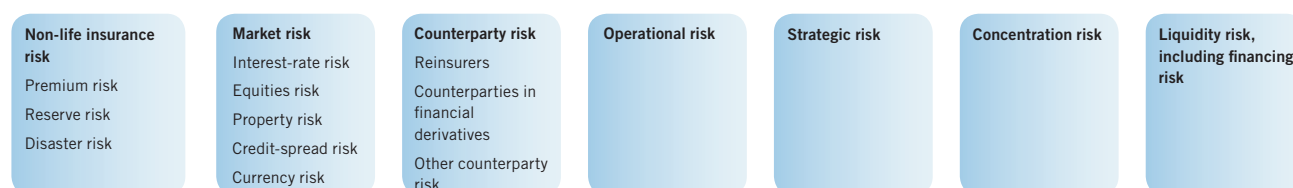
**Solvens II**

An initiative known as Solvency II is currently being implemented in the EU, including updated legislation for insurance operations. A directive was adopted in 2009 and rules of application are now being prepared. The objective of the directive is to strengthen the connection between solvency requirements and the risks for insurance companies, to provide increased security for insurance policyholders and to contribute to a stable and effective insurance market in the EU. Solvency II emphasises the importance of a more risk-based approach to regulating insurance companies. The regulations modernise such areas as how technical reserves are to be calculated, how assets are to be invested, the size of the capital buffer that an insurance company is to maintain and the requirements imposed on how a company's risks are managed and controlled. The regulations are planned to take effect on October 31, 2012.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following an analy-

**CLASSIFICATION OF RISKS**

The following classifications of risk are utilised in Länsförsäkringar Sak



**NOTE 2 RISKS AND RISK MANAGEMENT, cont'd.**

sis of necessary measures as part of a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. The scope of the project will be expanded in 2010. An increasing number of employees will be involved in the preparations. The project's control group includes leading representatives for the business operations and the President's staff since the new regulations are expected to impact the manner in which the company's operations are managed and monitored.

The following describes how different types of risks are managed. Information is provided on the size of the exposure for specific risks.

However, strategic risk and business risk, including reputation risk, are not described below. This category of risk is defined as the risk of loss as a result of business strategies and business decisions that prove to be misdirected, action by competitors, changes in the external environment and external reputation. Risks are managed at management and Board level through analyses and decisions prior to making strategic choices on the direction of the company's operations, and in the annual business planning process and also when trends in the company's markets so warrant risk management actions.

**Risk in insurance operations**

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. To handle this uncertainty, reinsurance is used to reduce the fluctuation in the earnings of insurance operations.

The insurance operations in Länsförsäkringar Sak comprise the insurance classes Medical and Accident, Commercial and Property, Motor Vehicle, Third-party Liability, Marine, Air and Cargo, and Assumed 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.

The risks in non-life insurance operations comprise premium risks, reserve risks and disaster risks. The implications of these terms and Länsförsäkringar Sak's general methods for handling these types of risk are described below.

**SENSITIVITY ANALYSIS, SEK M**

	Impact on profit before tax	Impact on share- holder's equity
10% lower premium level	154	113
10% increased claims frequency or higher average claim	124	91
1% higher annual claims inflation	635	468

**Premium risk**

Premium risk is the risk that claims and operating expenses for new claims are not covered by premiums earned.

In the insurance classes of third-party liability and accident 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 among 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 advisory services and the installation of preventive products, thereby further improving the company's risk.

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. 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.

**REINSURANCE PER CLAIM INCIDENT, SEK M**

	Retention	Cover
Third-party liability insurance	2	300
Liability insurance	20	300
Cargo insurance	10	200
Accident insurance	20	250
Marine	10	200

In the case of individual risks with a risk amount exceeding the reinsurance cover, reinsurance is purchased on an individual risk basis. Most reinsurance agreements extend for one calendar year. Cover for 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 that the provision for claims outstanding will not suffice to cover claims incurred.

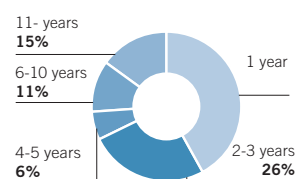
The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 18.2 billion. An estimate of the cost of claims outstanding – about SEK 17.4 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in third-party liability insurance, which accounts for a large portion of the company's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

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



**NOTE 2 RISKS AND RISK MANAGEMENT, cont'd.**

each line of business or part thereof. Another significant element in the follow-up work is the regular reviews of claims outstanding that are performed. Länsförsäkringar Sak's non-life insurance portfolio has a relatively high duration given the large percentage of third-party liability insurance transactions, which is why changes in claims inflation have a 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.

**ESTIMATED DISTRIBUTION OF TENURE OF EXPECTED PAYMENTS, CALCULATED AT PRESENT VALUE, OF CLAIMS OUTSTANDING, GROSS**

The following table shows the trend in estimated claims costs before reinsurance, per claim year

SEK M	2003	2004	2005	2006	2007	2008	2009	Total
At end of claim year	3,024.8	1,605.3	757.3	825.9	908.6	854.5	1,009.5	
One year later	2,962.9	1,531.7	757.3	911.5	868.8	848.3		
Two years later	2,701.5	1,458.7	794.9	876.3	772.3			
Three years later	2,503.2	1,491.9	750.7	830.4				
Four years later	2,481.5	1,377.3	724.8					
Five years later	2,324.7	1,338.3						
Six years later	2,338.5							
Estimated claims costs	2,338.5	1,338.3	724.8	830.4	772.3	848.3	1,009.5	
Accumulated claims payments	1,727.6	1,015.9	550.7	642.0	525.1	541.2	439.4	
Provision for claims payments	610.8	322.4	174.1	188.4	247.2	307.1	570.1	2,420.1
Provision for claims payments, older year classes								5,031.1
Provision for claims payments for assumed reinsurance								5,951.9
<b>Total provision for claims payments, gross</b>								<b>13,402.9</b>
Claims annuities reserve, gross								3,592.6
Claims adjustment reserve, gross								352.8
<b>Provision for claims outstanding, gross</b>								<b>17,348.4</b>
Provision for claims payments, reinsurers' portion								-5,657.1
Claims annuities reserve, reinsurers' portion								-
Claims adjustment reserve, reinsurers' portion								-87.7
<b>Provision for claims outstanding, reinsurers' portion</b>								<b>-5,664.7</b>
<b>Provision for claims outstanding, for own account</b>								<b>11,683.6</b>

**Disaster risk**

Disaster risk refers to the risk of extreme weather conditions, natural disasters, epidemics or disasters caused by human activities leading to a very large claims burden.

Länsförsäkringar Sak has low exposure to disaster risks for own account.

Länsförsäkringar Sak administers common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters. The experience gained from Hurricane Gudrun in 2005 showed that the disaster risk modelling performed previously had underestimated the consequences of forest damage. In cooperation with external institutions for risk modelling, the disaster-risk calculations have been updated. The cover was increased to SEK 7 billion for 2008. In 2009, the level of cover was the same as in 2008. In addition, there is internal Group reinsurance amounting to an additional SEK 3 billion for the same type of damage, which comes into effect if damage exceeds the level covered by the external reinsurance.

**Market risk**

In the management of the Länsförsäkringar Sak's assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and for investment decisions of a more operational nature. The main asset classes in portfolio management are equities, interest-bearing securities and property.

A so-called normal portfolio is defined to serve as the starting point for distributing investments among asset classes and regions. Guidelines for decisions regarding the normal portfolio and short-term investment decisions are produced. Analyses of the expected future returns and the risk level for the asset classes that may be included in the investment portfolios are performed continuously.

Market risks in asset management are controlled by decisions in Länsförsäkringar Sak's Boards concerning the normal portfolio and the extent to which the actual portfolio may deviate from the normal portfolio. In this way, the company's Board takes a position on the level of risk applying to invest-

**NOTE 2 RISKS AND RISK MANAGEMENT, cont'd.**

ment operations and the degree of freedom allowed to the operational management organisation in its efforts to raise the return by deviating from the normal portfolio.

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 enhance the efficiency of management and to achieve the desired risk profile.

**SENSITIVITY ANALYSIS, SEK M**

	Impact on profit before tax
Interest-rate risk, 1% higher interest rate	-498.3
Equities risk, 10% lower share prices	-60.7
Currency risk, 10% weaker SEK	-33.3
Credit spread risk, 1% increase in credit spread	-47.4
Interest-rate risk, 1% higher interest rate in claims annuities*	-516

\*The company has corresponding assets invested in real return bonds.

**Interest-rate risk**

Interest-rate risk is the risk that the net value of assets, liabilities and insurance undertakings declines due to changed market interest rates. With the exception of claims annuities, the value of insurance undertakings according to applicable accounting policies for non-life insurance is not determined based on the market interest rate. From 2008, this liability is sensitive to interest-rate fluctuations. The interest-rate risk described below pertains only to assets and liabilities.

The desired interest-rate risk is described and a desired target decided for the duration with a rebalancing interval. Derivative instruments, such as interest-swap contracts, are used to manage interest-rate risk.

Exposure to interest-rate changes is presented in the following table as fixed-interest periods for fixed-interest assets and liabilities, net.

**Fixed-interest periods for Länsförsäkringar Sak's assets and liabilities, net (incl. derivatives) at Dec. 31, 2009, SEK M**

Total	Less than 1 year	1 - 5 years	5 - 10 years	More than 10 years
Fixed-interest assets less fixed-interest liabilities	105.0	451.1	310.0	2,090.9

The table shows the net nominal interest maturity structure.

**Equities risk**

Equities risk is the risk that the value of assets declines due to falling share prices. The risk is described and decided on a normal portfolio with exposure by region in a rebalancing interval. In certain, selected regions, investments are subsequently made with a number of asset managers to reduce the manager risk in individual regions. For the regions/markets that are not invested in by several asset managers, investments are made in the desired market index.

**Property risk**

Property risk is the risk that the value of assets declines due to falling property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels. The assumptions on yield requirements usually follow the applicable interest-rate assumptions.

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.

**Credit-spread risk**

Credit-spread risk is the risk that the value of assets declines due to increases in the difference between market interest rates on bonds with credit risks and government securities.

Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions.

Bond investments classified by rating	SEK M
AAA – Swedish Government	3,805
AAA - other	209
AA	1,073
A	778

**Currency risk**

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings declines due to fluctuations in exchange rates.

Decisions on the size of currency exposure are made in light of prevailing market conditions.

**Länsförsäkringar Sak's net exposure in foreign currency, Dec. 31, 2009**

Currency	Equivalent in SEK M
EUR	95
GBP	21
DKK	13
USD	-44
JPN	-18
Other currencies	-19
<b>Total</b>	<b>48</b>

The total net currency exposure on December 31, 2009 amounted to 0,4% of total investment assets.

**NOTE 2 RISKS AND RISK MANAGEMENT, cont'd.****Counterparty risk**

Counterparty risk pertains to the risk that counterparties are unable to fulfil their undertaking and that any collateral provided does not cover 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. Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. Minimum requirements stipulated for the choice of reinsurer include that reinsurers shall have at least an A credit rating from Standard & Poor's for transactions with long settlement periods and at least a BBB credit rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.

Länsförsäkringar Sak regularly assesses impairment requirements on assets related to reinsurance contracts. Past due receivables are controlled continuously.

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.

Exposure to counterparty risks	Financial derivatives (exposure according to market values), SEK M
AAA	–
AA	–0.1
A	–14.7

Exposure to counterparty risks	Reinsurance in %
AAA	3
AA	28
A	68
BBB	1

The divisions above refer to exposure for purchased, external cover for 2010.

**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.

Each unit within Länsförsäkringar Sak is responsible for preventing operational risks within its particular area of responsibility. Risk analyses are performed annually both at company level and in the operating activities. To meet the increasing requirements in incident handling, common system support is being implemented with the aim of standardising operating-risk measurement methods throughout the Group. Furthermore, a continuity plan is adopted annually by company management.

Internal Audit, which reports directly to the Board, examines and evaluates the internal control of the operations. The task of the Compliance Function is to identify and report on risks that may arise as a result of shortcomings in regulatory compliance.

**Concentration risk**

From 2004, most of Länsförsäkringar's third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. Of the total technical reserves before ceded reinsurance of SEK 18.2 billion, 49% refers to the third-party liability insurance class of insurance.

**Liquidity risk, including financing risk**

Liquidity risk, including financing risk, is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can be fulfilled only by raising borrowings at significantly higher costs than usual. Länsförsäkringar Sak's liquidity risks are limited since premiums are received in advance and large claims payments are usually known well in advance of their maturity dates. In addition, most of Länsförsäkringar Sak's investment assets are available at short notice.

Amounts are stated in SEK M unless specified otherwise

**NOTE 3 PREMIUM INCOME**

	2009	2008
Direct insurance, Sweden	1,408.8	1,509.5
Direct insurance, other EEA	1.8	0.1
Assumed reinsurance	2,476.2	2,490.5
<b>Total</b>	<b>3,886.8</b>	<b>4,000.1</b>

**NOTE 4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS**

	2009	2008
Transferred investment income	387.8	463.6

**Interest rates, %**

Provisions for long-term claims in run-off, SEK	3.50	3.50
Provisions for third-party liability, not in run-off, SEK	3.50	3.50
Provisions for claims annuities, SEK (the real discount rate)	3.50	3.50
Provisions for other insurances with long-term claims not in run-off, SEK	3.50	3.50
Provisions for insurances with short-term claims, SEK	3.50	3.50
Provisions in USD	5.40	5.30
Provisions in GBP	5.40	6.10
Provisions in EUR	5.40	4.80
Provisions in other foreign currencies	5.40	5.40

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.

**NOTE 5 OTHER TECHNICAL REVENUE AND EXPENSES**

	2009	2008
Portfolio payments	5.8	6.1
<b>Total</b>	<b>5.8</b>	<b>6.1</b>

Parts of the insurance portfolio pertaining to insurance cover for national customers in commercial motor insurance were sold to the local regional insurance companies.

**NOTE 6 CLAIMS PAYMENTS**

	2009	2008
Claims paid	-1,501.6	-1,330.8
Operating expenses for claims adjustment	-169.0	-227.8
<b>Total</b>	<b>-1,670.6</b>	<b>-1,558.5</b>

**NOTE 7 OPERATING EXPENSES****Total operating expenses by type of cost**

	2009	2008
Staff costs	-132.8	-481.7
Costs for premises	-14.8	-44.6
Depreciation	-43.6	-36.7
Service income	45.3	769.5
Other expenses	-459.2	-981.1
<b>Total</b>	<b>-605.1</b>	<b>-782.6</b>

**Total operating expenses by function**

	2009	2008
Operating expenses in asset management	-114.6	-77.0
Operating expenses in property management	-0.3	-0.2
Operating expenses for claims adjustment	-168.9	-227.8
Operating expenses for procurement and administration	-321.3	-477.7
<b>Total</b>	<b>-605.1</b>	<b>-782.6</b>

**Operating expenses**

Acquisition costs <sup>1)</sup>	-248.8	-215.9
Change in Prepaid acquisition costs	1.9	3.9
Administrative expenses	-286.8	-511.7
Commission and profit shares in ceded reinsurance	212.4	246.1
<b>Total</b>	<b>-321.3</b>	<b>-477.7</b>

Of which, expenses for the leasing of premises, equipment and IT equipment

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

<sup>1)</sup> Of which, commission for direct insurance

**NOTE 8 INVESTMENT INCOME, REVENUE**

	2009	2008
Rental income from land and buildings	4.6	5.9
Dividends on shares and participations	51.0	75.2
Dividend from associated companies	3.2	-

**Interest income**

Bonds and other interest-bearing securities	240.5	353.4
Other interest income	17.8	170.6

Profit from partnership participation	85.5	31.4
Exchange-rate gains, net	11.9	204.7

**Capital gains, net**

Shares and participations in associated companies	130.9	0.1
Interest-bearing securities, Group companies	196.9	0.4
Shares and participations <sup>1)</sup>	0.9	-
<b>Total</b>	<b>743.3</b>	<b>841.9</b>

<sup>1)</sup> Investment assets identified as items measured at fair value in profit and loss.

**NOTE 9 INVESTMENT INCOME, EXPENSES**

	2009	2008
Operating expenses, land and buildings	-2.4	-2.8
Asset management expenses	-115.8	-77.2

**Interest expense**

Bonds and other interest-bearing securities	-4.9	-69.1
Other interest expense	-35.0	-74.9

Exchange-rate losses, net	-54.7	-
Impairment of shares and participations in associated companies	-115.5	-

**Capital losses, net**

Shares and participations	-177.9	-1,570.4
Bonds and other interest-bearing securities <sup>1)</sup>	-	-1,204.4
Other investment assets	-3.0	-2.8
<b>Total</b>	<b>-509.2</b>	<b>-3,001.5</b>

<sup>1)</sup> Investment assets identified as items measured at fair value in profit and loss.

**NOTE 9 INVESTMENT INCOME, EXPENSES, cont'd.**

Gains/losses by valuation category	2009	2008
Derivative assets intended for risk management, non-hedge accounting	-63.9	-1,340.0
Other financial assets measured at fair value through profit and loss	591.9	-1,434.1
Other financial liabilities	-	-66.7
Loan receivables and accounts receivable	2.7	24.4
<b>Items not specified by category</b>		
Exchange-rate gains/losses	11.9	204.7
Net interest income	-58.0	4.3
Asset management expenses	-114.9	-77.2
Depreciation/amortisation and impairment of shares and participations	-115.5	-
Non-financial items included in net investment income	269.2	31.6
<b>Total</b>	<b>523.4</b>	<b>-2,652.9</b>

**NOTE 10 UNREALISED GAINS AND LOSSES ON INVESTMENT ASSETS**

	Unrealised gains		Unrealised losses	
Unrealised gains	2009	2008	2009	2008
Land and buildings	-	-	-87.8	-
Shares and participations	200.0	-	-	-713.9
Bonds and other fixed income securities	177.1	70.1	-0.9	-
Derivatives	1.0	150.5	-	-
<b>Total</b>	<b>378.1</b>	<b>220.6</b>	<b>-88.7</b>	<b>-713.9</b>

**NOTE 11 TAX ON NET PROFIT FOR THE YEAR**

	2009	2008
Current tax	54.6	5.9
<b>Total current tax</b>	<b>54.6</b>	<b>5.9</b>
<b>Deferred tax</b>		
Deferred tax pertaining to temporary differences	2.7	150.1
Deferred tax income, tax loss carryforward capitalised during the year	-203.8	510.2
<b>Total deferred tax</b>	<b>-201.1</b>	<b>660.4</b>
<b>Total recognised tax income/expense</b>	<b>-146.5</b>	<b>666.3</b>
<b>Reconciliation of effective tax rate</b>		
Profit/loss before tax	511.2	-2,466.6
Tax at applicable tax rate	-134.4	690.6
Tax on non-deductible costs	-47.8	5.6
Tax on non-taxable income	66.3	10.4
Tax attributable to earlier years	-30.5	5.3
Changed tax rates	-	-34.4
<b>Total tax on net profit/loss for the year</b>	<b>-146.5</b>	<b>666.3</b>
Current tax rate, %	26	28
Effective tax rate, %	29	27

Refer also to Note 26 Deferred tax.

**NOTE 12 OTHER INTANGIBLE ASSETS**

	Dec. 31, 2009	Dec. 31, 2008
Opening cost	191,3	180,1
Additional assets	5,8	11,2
<b>Closing cost</b>	<b>197,1</b>	<b>191,3</b>
Opening accumulated amortisation	-70,9	-46,3
Amortisation for the year	-28,0	-24,6
<b>Closing accumulated amortisation</b>	<b>-98,9</b>	<b>-70,9</b>
<b>Total</b>	<b>98,2</b>	<b>120,4</b>

Acquisitions for the year pertain to proprietary systems. Other intangible assets comprise customer registers/insurance portfolio and proprietary systems.

**NOTE 13 LAND AND BUILDINGS**

	Cost	Fair value	Floor space vacancy rate	Direct yield, %	Change in value*)
Investment property, value on December 31, 2009	–	–	–	–	–
Investment property, value on December 31, 2008	5.2	93.0	0.0	3.2	–36.3

\*) Change in value refers to the change in fair value if the direct yield requirement is raised by two percentage points.

Change in value for the period	Cost Dec. 31, 2009	Dec. 31, 2008	Fair value Dec. 31, 2009	Dec. 31, 2009
Opening balance	5.2	5.2	93.0	93.0
Loss from adjustments of fair value	–5.2	–	–93.0	–
<b>Closing balance</b>	<b>0.0</b>	<b>5.2</b>	<b>0.0</b>	<b>93.0</b>

**Summary of values**

Dec. 31, 2009	Tax assessment value	Fair value	Cost
Investment property	0,0	0,0	0,0

**Impact on profit for the period**

	2009	2008
Rental income	4.6	5.9
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–2.4	–2.8

The income-statement items above are included in the lines Investment income, revenue and Investment income, expenses.

**NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES**

Company name	Corporate Registration Number	Registered offices	Number of shares and participations	Participating Interest	Shareholder's equity, Dec. 31, 2009	Profit/loss, 2009	Carrying amount, Dec. 31, 2009
Agria Försäkrings AB	516401-8003	Stockholm	40,000	100	355.4	160.6	658.6
Länsförsäkringar Sak Fastighets AB	556683-6416	Stockholm	1,000	100	68.0	0.0	68.0
Länsförsäkringar EFEL Livförsäkring AB	516406-0658	Stockholm	60,000	100	60.4	3.5	60.0
Länsförsäkringar EFEL Skadeförsäkring AB	516406-0666	Stockholm	65,000	100	66.1	31.7	355.0
Länsförsäkringar Grupplivförsäkrings AB	516401-6692	Stockholm	28,000	100	217.9	–5.3	330.5
Utile Dulci 2 HB	916601-0067	Stockholm	3,996	100	166.8	85.6	363.9
<b>Total Dec. 31, 2009</b>					<b>934.6</b>	<b>276.1</b>	<b>1,836.1</b>
<b>Total Dec. 31, 2008</b>					<b>891.9</b>	<b>–96.1</b>	<b>1,833.3</b>

All shares and participations are unlisted.

Cost	Dec. 31, 2009	Dec. 31, 2008
Opening balance	1,833.3	480.0
Added and deducted assets	2.8	1,353.2
<b>Closing balance</b>	<b>1,836.1</b>	<b>1,833.3</b>
<b>Accumulated impairment</b>		<b>–</b>
<b>Total carrying amount</b>	<b>1,836.1</b>	<b>1,833.3</b>
<b>Fair value</b>	<b>2,371.0</b>	<b>2,430.0</b>

**NOTE 15 LOANS TO GROUP COMPANIES**

	Dec.31, 2009	Dec. 31, 2008
Promissory notes to Utile Dulci 2 HB	1,205.0	1,310.0
Länsförsäkringar Hypotek AB (publ)	660.3	54.1
<b>Total</b>	<b>1,865.3</b>	<b>1,364.1</b>

The loan to Utile Dulci 2 HB is valid with extensions of three months at a time. Interest is three-month STIBOR. Länsförsäkringar Hypotek comprises listed bonds.



**NOTE 16 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES**

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Share of equity, %	Shareholder's equity Dec. 31, 2009	Profit/loss 2009	Carrying amount, Dec. 31, 2009
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29	0.7	0.0	0.0
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1,582	29	32.1	7.7	10.7
European Alliance Partners Company AG*	CH-0203026423-1	Zürich	12,331	17	54.2	-2.4	8.0
<b>Total</b>							<b>18.7</b>

All shares and participations are unlisted.

Cost	Dec. 31, 2009	Dec. 31, 2008
Opening balance	18.7	19.0
Added and deducted assets	–	-0.3
<b>Closing balance</b>	<b>18.7</b>	<b>18.7</b>

**Accumulated impairment**

Opening balance	–	-3.0
Impairment for the year	–	3.0
<b>Closing balance</b>	<b>–</b>	<b>–</b>

<b>Total carrying amount</b>	<b>18.7</b>	<b>18.7</b>
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**Summary of financial information pertaining to associated companies**

Information pertains to Länsförsäkringar Sak's participating interest

	2009	2008
Income	38.6	32.8
Earnings	5.3	2.9
Assets	144.7	229.1
Liabilities	58.4	209.4
Shareholder's equity	86.3	19.7

\*) 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.

**NOTE 17 SHARES AND PARTICIPATIONS**

	Fair value Dec. 31, 2009	Fair value Dec. 31, 2008
Listed shares and participations	315.1	417.1
Unlisted shares and participations	499.0	522.6
<b>Total</b>	<b>814.1</b>	<b>939.8</b>
Cost	573.9	856.5

Shares and participations are measured at fair value through profit and loss.

**NOTE 18 BONDS AND OTHER INTEREST-BEARING SECURITIES**

	Fair value Dec. 31, 2009	Fair value Dec. 31, 2008
<b>Issued by</b>		
Swedish government	3,805.0	912.2
Swedish mortgage institutions	2,061.0	3,204.2
Other Swedish issuers	111.3	108.0
Foreign states	–	2,836.3
Other foreign issuers	2,756.5	1,758.9
<b>Total</b>	<b>8,733.8</b>	<b>8,819.5</b>
<b>Market status</b>		
Securities listed	8,733.8	8,819.5
	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
Amortised cost	8,334.7	8,216.1

**The carrying amounts of the securities compared with their par amounts**

	Dec. 31, 2009	Dec. 31, 2008
Carrying amount	8,733.8	8,819.5
Nominal value	7,457.8	8,610.5
<b>Difference</b>	<b>1,276.0</b>	<b>209.0</b>
Total surplus	1,281.6	213.1
Total deficit	-5.6	-4.1
<b>Net difference</b>	<b>1,276.0</b>	<b>209.0</b>

**NOTE 19 DERIVATIVES****Derivative instruments with positive values or valued at zero**

	Fair value		Par values	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Equity derivatives	0.2	0.2	307.1	215.3
Interest-rate derivatives	1.4	0.3	1,338.5	655.0
Currency derivatives	31.7	205.6	3,713.1	8,247.7
<b>Total</b>	<b>33.3</b>	<b>206.1</b>	<b>5,358.7</b>	<b>9,118.0</b>

**Derivatives with negative values**

	Fair value		Par values	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Equity derivatives	0.5	0.0	559.6	503.9
Currency derivatives	46.6	449.6	3,729.9	8,514.4
<b>Total</b>	<b>47.1</b>	<b>449.6</b>	<b>4,289.5</b>	<b>9,018.3</b>

**NOTE 20 RECEIVABLES, DIRECT INSURANCE**

	Dec. 31, 2009	Dec. 31, 2008
Receivables, policyholders	171.1	189.3
Receivables, insurance brokers	–	–
Receivables, insurance companies	1.6	6.6
<b>Total</b>	<b>172.7</b>	<b>195.9</b>

**NOTE 21 OTHER RECEIVABLES**

	Dec. 31, 2009	Dec. 31, 2008
Receivables, Group companies	136.9	231.6
Receivables, Parent Company	485.2	278.1
Receivables, Länsförsäkringar Liv Försäkrings AB, Group	21.4	49.9
Other receivables	42.1	276.8
<b>Total</b>	<b>685.6</b>	<b>836.6</b>

**NOTE 22 ASSETS AND LIABILITIES BY CATEGORY**

	Loans and receivables	Financial assets measured at fair value	Held for trading	Non-financial assets	Total carrying amount	Fair value
<b>ASSETS</b>						
Other intangible assets				98.2	98.2	
Shares in Group companies				1,836.1	1,836.1	2,371.1
Shares and participations in associated companies				18.7	18.7	21.4
Loans to Group companies		1,865.3			1,865.3	1,865.3
Shares and participations		814.1			814.1	814.1
Bonds and other interest-bearing securities		8,733.8			8,733.8	8,733.8
Derivatives			33.3		33.3	33.3
Other financial assets		92.6			92.6	92.6
Deposits with companies that have ceded reinsurance				50.5	50.5	
Reinsurers' portion of technical reserves				5,912.6	5,912.6	
Receivables, direct insurance				172.7	172.7	
Receivables, reinsurance				171.2	171.2	
Other receivables	138.3			547.5	685.8	138.3
Deferred tax assets				331.6	331.6	
Cash and bank balances	573.3				573.3	
Prepaid expenses and accrued income		60.4		27.5	87.9	60.4
<b>Total assets</b>	<b>711.6</b>	<b>11,566.2</b>	<b>33.3</b>	<b>9,166.6</b>	<b>21,477.7</b>	<b>14,130.3</b>

	Held for trading	Other financial liabilities	Non-financial liabilities	Total carrying amount	Fair value
<b>LIABILITIES</b>					
Technical reserves			18,146.1	18,146.1	
Other provisions			210.6	210.6	
Deposits from reinsurers			39.6	39.6	
Liabilities, direct insurance			328.6	328.6	
Liabilities, reinsurance			353.5	353.5	
Derivatives	47.1			47.1	47.1
Other liabilities		8.0	75.9	83.9	8.0
Accrued expenses and deferred income		11.6	193.8	205.4	11.6
<b>Total liabilities</b>	<b>47.1</b>	<b>19.6</b>	<b>19,348.1</b>	<b>19,414.8</b>	<b>66.7</b>

**NOTE 22 ASSETS AND LIABILITIES BY CATEGORY**, cont'd.

Level note for financial instruments measured at fair value in net profit/loss for the year.

Level 1: According to prices listed in an active market for the same instrument.

Level 2: Based on direct or indirect observable market data not included in Level 1.

Level 3: Based on input that is not observable in the market.

	Level 1 2009	Level 2 2009	Level 3 2009	Total 2009
<b>ASSETS</b>				
Shares and participations	315.1	497.1	1.9	814.1
Bonds and other fixed income securities	8,733.8			8,733.8
Derivatives	1.5	31.8		33.3
<b>LIABILITIES</b>				
Derivatives	-0.5	47.7		47.1

Financial instruments measured at fair value according to Level 3 above.

	Financial assets measured at fair value through profit and loss
	Financial assets valued according to fair value option
	<b>Dec. 31, 2009</b>
Opening balance, Jan. 1, 2009	3.7
Total profits and losses recognised:	
– recognised in net profit/loss for the year	-1.8
– recognised in other comprehensive income	
<b>Closing balance, Dec. 31, 2009</b>	<b>1.9</b>

**NOTE 23 PREPAID ACQUISITION COSTS**

	Dec. 31, 2009	Dec. 31, 2008
Opening prepaid acquisition costs	14.4	10.5
Depreciation for the year	-14.4	-10.5
<b>Provision for the year</b>	<b>16.3</b>	<b>14.4</b>

All acquisition costs have a depreciation period of less than one year.

**NOTE 24 OTHER PREPAID EXPENSES AND ACCRUED INCOME**

	Dec. 31, 2009	Dec. 31, 2008
Other accrued income	6.6	27.4
Other prepaid expenses	4.6	12.1
<b>Total</b>	<b>11.2</b>	<b>39.5</b>

**NOTE 25 TECHNICAL RESERVES**

	Gross	Dec. 31, 2009 Reinsurers' portion	Net	Gross	Dec. 31, 2008 Reinsurers' portion	Net
<b>Unearned premiums</b>						
Opening balance	584.1	155.1	429.0	397.9	75.3	322.7
Provisions during the period	112.4	60.4	52.0	187.2	79.4	107.8
Exchange-rate changes	-0.2	-0.3	-0.1	-1.0	0.4	-1.4
<b>Closing balance</b>	<b>696.3</b>	<b>215.2</b>	<b>481.1</b>	<b>584.1</b>	<b>155.1</b>	<b>429.0</b>
<b>Unexpired risk</b>						
Opening balance	21.5	–	21.5	1.4	–	1.4
Provisions during the period	80.0	32.7	47.3	20.1	–	20.1
<b>Closing balance</b>	<b>101.5</b>	<b>32.7</b>	<b>68.8</b>	<b>21.5</b>	<b>–</b>	<b>21.5</b>
<b>Claims outstanding</b>						
Claims incurred and reported	9,815.2	2,666.6	7,148.6	10,545.9	3,093.6	7,452.3
Claims incurred and not reported	4,016.1	2,900.4	1,115.7	3,569.2	2,380.5	1,188.7
Claims annuities	3,427.3	–	3,427.3	3,212.0	–	3,212.0
Claims adjustment costs	406.1	8.9	397.2	536.5	8.7	527.7
<b>Total opening balance</b>	<b>17,664.7</b>	<b>5,575.9</b>	<b>12,088.8</b>	<b>17,863.6</b>	<b>5,482.9</b>	<b>12,380.7</b>
Provisions for the period	-276.7	103.4	-380.1	-333.6	68.8	-402.4
Insurance portfolio taken over	4.5	–	4.5	12.0	–	12.0
Change in shareholders' equity	–	–	–	38.5	–	38.5
Exchange-rate changes	-44.2	-14.5	-29.7	84.3	24.2	60.1
Claims incurred and reported	8,968.6	2,266.6	6,702.0	9,815.2	2,666.6	7,148.7
Claims incurred and not reported	4,434.3	3,390.4	1,043.9	4,016.1	2,900.4	1,115.7
Claims annuities	3,592.6	–	3,592.6	3,427.3	–	3,427.3
Claims adjustment costs	352.8	7.7	345.1	406.1	8.9	397.2
<b>Total closing balance</b>	<b>17,348.4</b>	<b>5,664.7</b>	<b>11,683.6</b>	<b>17,664.7</b>	<b>5,575.8</b>	<b>12,088.9</b>

Provision for claims outstanding before discounting for medical and accident insurance for children amounts to SEK 37.8 M. The corresponding amount after discounting is SEK 35.8 M. The discount rate is 3.0%.

**NOTE 26 DEFERRED TAX**

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

December 31	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Land and buildings	–	–	–	23.7	–	23.7
Other financial investment assets	–	–	–	17.9	–	17.9
Liabilities	–55.8	–64.0	30.5	–	–25.2	–64.0
Utilisation of loss carryforwards	–306.4	–510.2	–	–	–306.4	–510.2
<b>Deferred tax asset (–)/ deferred tax liability (+)</b>	<b>–362.2</b>	<b>–574.3</b>	<b>30.5</b>	<b>41.5</b>	<b>–331.6</b>	<b>–532.7</b>
Offset	30.5	41.5	–30.5	–41.5	–	–
<b>Net deferred tax asset (–)/ deferred tax liability (+)</b>	<b>–331.6</b>	<b>–532.7</b>	<b>–</b>	<b>–</b>	<b>–331.6</b>	<b>–532.7</b>

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 Jan. 1	Reported in income statement	Amount at Dec. 31
Land and buildings	23.7	–23.7	–
Other financial investment assets	17.9	–17.9	–
Liabilities	–64.0	38.8	–25.2
Utilisation of loss carryforwards	–510.2	–203.8	–306.4
<b>Deferred tax assets (–)/ tax liabilities (+)</b>	<b>–532.7</b>	<b>201.1</b>	<b>–331.6</b>

**NOTE 27 OTHER PROVISIONS**

	Dec. 31, 2009	Dec. 31, 2008
Pension provisions according to agreement on the possibility of voluntary retirement from the age of 62.	8.5	18.8
Other provisions	198.9	181.8
<b>Total</b>	<b>207.4</b>	<b>200.7</b>

**NOTE 28 LIABILITIES, DIRECT INSURANCE**

	Dec. 31, 2009	Dec. 31, 2008
Liabilities, policyholders	12.2	42.4
Liabilities, insurance brokers	18.2	22.0
Liabilities, insurance companies	298.2	382.4
<b>Total</b>	<b>328.6</b>	<b>446.8</b>

**NOTE 29 OTHER LIABILITIES**

	Dec. 31, 2009	Dec. 31, 2008
Liabilities, Group companies	0.1	3.4
Liability to the Parent Company	57.7	9.9
Liabilities, regional insurance companies	0.7	2.3
Other liabilities	25.4	83.5
<b>Total</b>	<b>83.9</b>	<b>99.1</b>

**NOTE 30 OTHER ACCRUED EXPENSES AND DEFERRED INCOME**

	Dec. 31, 2009	Dec. 31, 2008
Premiums, received but not due	54.1	43.4
Accrued holiday and overtime remuneration	7.8	18.0
Other	143.5	316.6
<b>Total</b>	<b>205.4</b>	<b>378.0</b>

**NOTE 31 ANTICIPATED RECOVERY AND SETTLEMENT PERIODS, AMOUNTS EXPECTED TO BE RECOVERED**

	Within 12 months	After 12 months	Total
<b>ASSETS</b>			
Other intangible assets	–	98.2	98.2
Shares in Group companies	–	1,836.1	1,836.1
Shares and participations in associated companies	–	18.7	18.7
Loans to Group companies	1,865.3	–	1,865.3
Shares and participations	–	814.1	814.1
Bonds and other interest-bearing securities	107.6	8,626.2	8,733.8
Derivatives	31.9	1.4	33.3
Other financial assets	–	92.6	92.6
Deposits with companies that have ceded reinsurance	50.5	–	50.5
Reinsurers' portion of technical reserves	3,566.8	2,345.8	5,912.6
Receivables, direct insurance	172.7	–	172.7
Receivables, reinsurance	85.6	85.6	171.2
Other receivables	685.8	–	685.8
Deferred tax assets	331.6	–	331.6
Cash and bank balances	573.3	–	573.3
Prepaid expenses and accrued income	87.9	–	87.9
<b>Total assets</b>	<b>7,559.0</b>	<b>13,918.7</b>	<b>21,477.7</b>
<b>LIABILITIES</b>			
Technical reserves	6,599.7	11,546.4	18,146.1
Other provisions	40.0	170.6	210.6
Deposits from reinsurers	39.6	–	39.6
Liabilities, direct insurance	328.6	–	328.6
Liabilities, reinsurance	176.7	176.8	353.5
Derivatives recognised as liabilities	46.6	0.5	47.1
Other liabilities	83.9	–	83.9
Accrued expenses and deferred income	205.4	–	205.4
<b>Total liabilities</b>	<b>7,520.5</b>	<b>11,894.3</b>	<b>19,414.8</b>

**NOTE 32 PENSIONS****Defined-benefit pension plans**

The company has a defined-benefit pension plan that is a pension agreement from 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 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 enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	2009	2008
<b>Pension commitments</b>		
Provisions for pensions	7.8	8.6
Other provisions	11.8	22.5
<b>Total</b>	<b>19.6</b>	<b>31.1</b>

Of the amounts recognised as Pension provisions, only the following amounts are encompassed by the Swedish Pension Obligations Vesting Act.

	7.8	8.6
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**The year's change in capital value of own commitments for which there are no separated assets:**

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	22.5	35.4
Income/expense excluding interest expense that impacted earnings	-11.4	-14.2
Interest expense	0.6	1.3
<b>Capital value at December 31</b>	<b>11.8</b>	<b>22.5</b>

**The year's change in capital value of own commitments which are wholly or partly covered by separated assets**

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	8.6	9.2
Pensions paid	-1.3	-1.3
Other change in capital value	0.5	0.7
<b>Capital value at December 31</b>	<b>7.8</b>	<b>8.6</b>

**The year's change in the capital value of the company's own commitments**

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	31.1	44.6
Income/expense excluding interest expense that impacted earnings	-11.4	-14.2
Interest expense	0.6	1.3
Pensions paid	-1.3	-1.3
Other change in capital value	0.5	0.7
<b>Capital value at December 31</b>	<b>19.6</b>	<b>31.1</b>

**Fair value of separated assets**

Fair value on January 1	17.2	17.6
Return on separated assets	1.1	0.9
Payments to and from pension foundations	-1.3	-1.3
Surplus in separated assets (Fair value of separated assets to the extent that the value does not affect the company's accounts)	-9.2	-8.6
<b>Fair value on December 31</b>	<b>7.8</b>	<b>8.6</b>
<b>Net pension commitments on December 31</b>	<b>11.8</b>	<b>22.5</b>

**Costs regarding pensions****The company's own pensions**

Income/expense excluding interest expense	-11.4	-14.2
Interest expense	0.6	1.3
Return on separated assets	1.1	0.9
<b>Cost of the company's own pensions</b>	<b>-9.7</b>	<b>-11.9</b>
Costs covered by surplus in separated assets	-1.1	-0.9
<b>Recognised net cost attributable to pensions</b>	<b>-10.8</b>	<b>-12.9</b>

	2009	2008
<b>Fair value of separated assets</b>		
Participations in fixed-income funds	22.9	21.8
Cash and bank balances	3.3	3.3
Other assets	0.1	0.0
Liabilities	-9.5	-8.1
<b>Total</b>	<b>16.8</b>	<b>17.0</b>

<b>Return in % on separated assets</b>	<b>4.4</b>	<b>3.6</b>
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**Assumptions pertaining to defined-benefit commitments**

Discount rate	2.3	3.5
Percentage expected to retire voluntarily at age 62	20%	20%
Capital in separated assets that exceeds the capital value of pension commitments to employees. This surplus is not recognised in the balance sheet.	9.2	8.6

**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.

	2009	2008
Expenses for defined-contribution plans	22.5	56.4

**NOTE 33 MEMORANDUM ITEMS**

	Dec. 31, 2009	Dec. 31, 2008
<b>Pledged assets</b>		
Total registered investment assets on behalf of policyholders	13,218.2	13,117.5
– of which pertaining to preferential commitments	3,592.6	3,427.3
Bank balance/bonds	153.4	54.0
<b>Total</b>	<b>13,371.6</b>	<b>13,171.5</b>
The technical liability which correspond to registered assets amount to:	12,415.0	12,539.4

Registered assets in accordance with Chapter 7, Section 11 of the Swedish Insurance Business Act amount to SEK 13,218.2 M. In the event of insolvency, the policyholders have a priority 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 Insurance Business Act.

	Dec. 31, 2009	Dec. 31, 2008
<b>Contingent liabilities</b>		
Part-owner of Utile Dulci 2 HB	1.9	41.1
Early retirement at age 62 in accordance with pension agreement, 80%	34.0	75.3
<b>Total</b>	<b>35.9</b>	<b>116.4</b>

**NOTE 34 EMPLOYEES AND STAFF COSTS**

	2009	2008
<b>Average number of employees, Sweden</b>		
Men	59	159
Women	88	202
<b>Total number of employees</b>	<b>147</b>	<b>361</b>

The staff reduction was due to the reorganisation within Länsförsäkringar AB Group.

**NOTE 34 EMPLOYEES AND PERSONNEL COSTS.** cont'd.

Salaries, remuneration and social security expenses, SEK M	2009	2008
<b>Salaried employees, Sweden</b>		
Salaries and remuneration	72.3	214.3
– of which variable remuneration	2.0	1.1
Social security expenses	30.0	210.7
– of which pension costs	7.7	115.0
	<b>102.3</b>	<b>425.1</b>
<b>Board of Directors and other senior executives, 14 (16)</b>		
Salaries and remuneration	11.6	13.1
– of which salary to the President and Executive Vice President	2.2	3.6
– of which variable remuneration to the President and Executive Vice President	0.3	0.7
– of which fixed salary to other senior executives	6.8	8.6
– of which variable salary to other senior executives	0.8	0.9
Social security expenses	10.2	12.5
– of which pension costs	5.2	6.1
	<b>21.8</b>	<b>25.6</b>
<b>Total salaries, remuneration and social security expenses</b>		
Salaries and remuneration	83.9	227.6
– of which variable remuneration	3.1	2.6
Social security expenses	40.2	223.1
– of which pension costs	12.9	121.1
	<b>124.2</b>	<b>450.7</b>

**Variable remuneration**

Variable remuneration may be paid to all employees and managers. A prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Half of the remuneration is based on the achievement

of the joint goals in Länsförsäkringar AB Group's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. For managers at levels 1 and 2, a maximum amount of two months' salaries and for managers at levels 3 and 4, a maximum of one month's salary will be paid. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

**Costs for personnel reduction in conjunction with reorganisation**

For 2008, the above amounts for salaries, remuneration and social security expenses include expenses for personnel reduction in conjunction with the reorganisation of SEK 28.0 M pertaining to salaries and SEK 100.6 M pertaining to social security expenses, of which SEK 72.7 M comprises pension costs.

Sickness absence, %	2009	2008
Total of overall working hours	3.8	2.9
Total of overall working hours for men	1.8	1.1
Total of overall working hours for women	5.0	4.3
Absence for employees aged 29 or younger	3.4	1.4
Absence for employees aged 30–49	2.2	2.5
Absence for employees aged 50 or older	5.5	3.4
Percentage pertaining to absence of a consecutive period of 60 days or more	48.3	47.6

**Remuneration of the Board of Directors**

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 to senior executives**

Remuneration to the President and other senior executives comprises basic salary, variable remuneration, other benefits and pension cost. Variable remuneration is maximised to two months' salaries for the President and other senior executives. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise the company management.

For the President and other senior executives, variable remuneration is based on targets met in accordance with Länsförsäkringar AB Group's business plan, as well as individual goals according to the established goal contract. Other benefits pertain to company car and interest benefits for personal loans. Pension costs pertain to the impact on net profit for the year.

**Remuneration and other benefits for senior executives**

Amounts in SEK 000s

	Basic salary	Variable remuneration	Other benefits	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
<b>2009</b>						
Ann Sommer, President	2,223	286	71	921	3,501	36
Jan Fock, Deputy Chairman of the Board	257				257	
Conny Famm, Board member	214				214	
Anders Stigers, Board member	214				214	
Lars-Göran Pettersson, Board member	214				214	
Kjell Lindfors, Board member	214				214	
Mikael Sundquist, Board member	214				214	
Axel von Stockenström, Board member	125				125	
Other senior executives (7 people)	8,390	1,028	321	4,919	14,658	53
<b>Total 2009</b>	<b>12,065</b>	<b>1,314</b>	<b>392</b>	<b>5,840</b>	<b>19,611</b>	
<b>2008</b>						
Ann Sommer, President	2,105	348	69	859	3,381	34
Mats Olausson, Executive Vice President	1,519	312	43	451	2,325	29
Jan Fock, Deputy Chairman of the Board	186				186	
Conny Famm, Board member	154				154	
Anders Stigers, Board member	154				154	
Lars-Göran Pettersson, Board member	162				162	
Kjell Lindfors, Board member	154				154	
Mikael Sundquist, Board member	120				120	
Other senior executives (8 people)	8,576	872	302	4,811	14,461	46
<b>Total 2008</b>	<b>13,130</b>	<b>1,532</b>	<b>414</b>	<b>6,121</b>	<b>21,197</b>	



**NOTE 34 EMPLOYEES AND STAFF COSTS**, cont'd.**Pensions**

The retirement age for the President is 60 years. The pension between the age of 60 and 65 is a defined-contribution plan. The premium shall amount to 18% of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 will be 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 62 or 65. The pension between 62 and 65 is a defined-contribution plan and the pension premium is to amount to 30% of the pensionable 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).

**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 shall also be entitled to severance pay corresponding to 24 months' salaries. For other senior executives, the period of notice follows applicable 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 remuneration of company management**

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board of Directors. Remuneration to other senior executives is determined by the President in accordance with principles for salaries and terms and conditions for senior executives.

Proportion of women among senior executives, %	2009	2008
Board members	0	0
Other senior executives	40	50

**NOTE 35 FEES AND REMUNERATION TO AUDITORS**

The following fees have been paid to auditors	2009	2008
KPMG AB, audit assignments	1.7	1.3
KPMG AB, other assignments	0.4	0.6

**NOTE 36 DISCLOSURES ON RELATED PARTIES**

The 24 regional insurance companies have chosen to organise joint operations in the Länsförsäkringar AB Group. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, shall be produced and provided jointly within Länsförsäkringar Alliance.

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB, the 24 regional insurance companies with subsidiaries and the 14 local insurance companies. Related key persons are Board members, senior executives and close family members to these individuals.

**Principles for transactions**

Transactions between closely related parties occur mainly as transactions of a nonrecurring nature and transactions on a continuous basis. Transactions of a nonrecurring nature comprise the acquisitions and divestment of assets and similar transactions, in limited scope. Larger transactions of a non-recurring nature are to be based on written agreements and comply with market standards and market conditions.

Transactions of a continuous nature include goods and services provided for the companies within the Länsförsäkringar AB Group. Transactions of this nature shall follow established procedures as specified below.

**Pricing**

Pricing for business operations is on market terms. 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 Länsförsäkringar Alliance based on consumption.

Development projects and parts of services are financed collectively and invoiced based on an established distribution key.

**Committees**

Company management within Länsförsäkringar AB establishes the service level pertaining to intra-Group transactions involving goods and services. In this connection, company

**NOT 36 DISCLOSURES ON RELATED PARTIES**, cont'd.

management prepares price lists for all goods and services. In connection with the annual business planning, company management subsequently makes a decision pertaining to the price lists for goods and services.

The price level for the goods and services purchased by Länsförsäkringar Sak from other companies within the Länsförsäkringar AB Group is determined by the Board, either by approval of the agreement or within the framework for budget approval.

**Related-party transactions 2009**

	Income	Expenses	Receivables	Liabilities
Parent Company	1.7	170.9	468.1	50.1
Group companies	208.3	66.2	2,814.3	8.5
Life Group	–	–	64.4	–
Associated companies	3.2	32.7	0.1	–
Regional insurance companies	3.5	8.1	5,463.2	5,996.5
Other related parties	0.1	10.2	0.4	1.2

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

Cash and cash equivalents with Länsförsäkringar Bank AB	SEK 298.1 M
Interest income received	SEK 1.2 M

**Closely related agreements, Länsförsäkringar Sak**

Agreement	Counterparty	Date
Assignment agreement regarding asset management	Länsförsäkringar AB	July 1, 2007
Partnership agreement regarding Utile Dulci 2 HB	Länsförsäkringar AB	Dec. 15, 2006
Commission agreements	24 regional insurance companies	Jan. 1, 2007
Agreement regarding sales	Länsförsäkringar Mäklarservice AB	Dec. 15, 2008
Management agreement regarding Utile Dulci 2 HB	Humlegården Fastigheter AB	Oct. 11, 2007
Agreement regarding transfer	Länsförsäkringar AB	Jan. 1, 2009
IT framework agreement	Länsförsäkringar IT Center AB	Jan. 1, 2005
Claims adjustment agreement	24 regional insurance companies	Dec. 31, 2008

**Länsförsäkringar AB**

Länsförsäkringar AB with subsidiaries is organised in three business units, Sakförsäkring (non-life insurance), Livförsäkring (life assurance) and Bank, as well as the support functions Development, IT and Service. The basis of the organisation in 2009 was that the ongoing operations were to be conducted in these business units, and also, for the purpose of generating economies of scale, certain functions were organised centrally in the Länsförsäkringar AB Group. The functions that were organised centrally include the maintenance and development of joint computer systems and such services as Legal Affairs, HR, Accounts, Communication and Security. In addition, Länsförsäkringar Sak leases equipment from Länsförsäkringar AB, which purchases and owns the equipment.

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**

The company is financed by Länsförsäkringar Sak through a loan of SEK 1,205 M.

**Länsförsäkringar Gruppliv**

The company is a subsidiary of Länsförsäkringar Sak and was acquired on February 14, 2007 at net worth. The company purchases administrative services from Länsförsäkringar Sak. The company received shareholders' contribution of SEK 60 M during 2009.

**Försäkringsaktiebolaget Agria**

Länsförsäkringar Sak acquired Försäkringsaktiebolaget Agria and its subsidiaries from Länsförsäkringar AB in December 2008. The Group was acquired at net worth.

**Länsförsäkringar EFEL Skadeförsäkring**

The company is a subsidiary of Länsförsäkringar Sak and was acquired from the Federation of Swedish Farmers (LRF) on July 1, 2008. The personnel who work with the company's insurance portfolio are employed in Länsförsäkringar Sak. The company is planned to be merged with Länsförsäkringar Sak in 2010.

**Länsförsäkringar EFEL Livförsäkring**

The company is a subsidiary of Länsförsäkringar Sak and was acquired on July 1, 2008 from LRF. The personnel who work with the company's insurance portfolio are employed in Länsförsäkringar Sak. A portfolio was transferred to Länsförsäkringar Gruppliv on December 1, 2009. The company shall be liquidated in 2010.

**NOTE 36 DISCLOSURES ON RELATED PARTIES, cont'd.****Länsförsäkringar IT Center AB**

IT services and products are provided through Länsförsäkringar IT Center AB (ITC), which is a wholly owned subsidiary of Länsförsäkringar AB. The ITC services that are to be delivered to Länsförsäkringar Sak are stated in the framework agreement between parties. The purpose of the agreement is to allocate responsibility between ITC and Länsförsäkringar Sak and to comply with operational requirements governed by laws and regulations.

During 2009, ITC merged with Länsförsäkringar AB.

**Humlegården Fastigheter AB**

Länsförsäkringar Saks' property holdings are managed by Humlegården Fastigheter AB.

**Other Group companies**

Länsförsäkringar Bank AB manages subsidised loans to employees on behalf of Länsförsäkringar Sak, issued after standard credit rating checks conducted by the bank.

**24 regional insurance companies and Länsförsäkringar Mäklarservice AB**

A large part of customer contact is handled through the 24 local regional insurance companies and Länsförsäkringar Mäklarservice. Länsförsäkringar Sak pays commissions to the 24 local regional insurance companies and Länsförsäkringar Mäklarservice for remuneration pertaining to the sale of its insurance products.

Länsförsäkringar Sak manages and reconciles the Länsförsäkringar Alliance's internal and external reinsurance. The cooperation between the 24 regional insurance companies and Länsförsäkringar Sak reduces the risk for each individual regional insurance company.

In December 2008, Länsförsäkringar Sak signed an agreement with 24 regional insurance companies for claims adjustment of personal injuries in run-off third-party liability insurance.

**Transactions between Länsförsäkringar Sak and its Board and management**

Remunerations to the Board and senior executives of Länsförsäkringar Sak are stated in Note 34. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

**NOTE 37 SUPPLEMENTARY DISCLOSURES ON INCOME-STATEMENT ITEMS BY INSURANCE CLASS**

2009	Total	Medical and accident	Motor vehicle Third-party liability	Motor vehicle other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal cover	Total, direct insurance	Assumed reinsurance
Premiums earned, gross	3,694.3	620.9	64.9	132.3	93.6	135.6	170.4	1.3	1,219.0	2,475.3
Claims payments, gross	-2,355.3	-432.7	-111.1	-260.2	-26.1	5.8	-152.7	-5.4	-982.4	-1,373.3
Operating expenses, gross	-520.7	-113.7	-19.3	-22.5	-24.7	-17.4	-30.8	-0.1	-228.5	-292.2
Profit/loss from ceded reinsurance	-832.2	0.3	20.4	51.7	-29.2	-88.9	8.2	-	-38.1	-794.1
<b>Earnings</b>	<b>-14.2</b>	<b>74.3</b>	<b>-45.1</b>	<b>-98.7</b>	<b>-13.7</b>	<b>35.2</b>	<b>-4.9</b>	<b>-4.3</b>	<b>-29.8</b>	<b>15.6</b>
Premium income, gross	3,886.8	639.6	53.7	295.4	95.9	146.2	178.3	1.4	1,410.5	2,476.2

The Annual Report was approved for publication by the Board of Directors on March 11, 2010.  
The company's income statement and balance sheet will be adopted at the 2010 Annual General Meeting.

Sten Dunér  
*Chairman*

Jan Fock  
*Deputy Chairman*

Conny Famm  
*Board member*

Kjell Lindfors  
*Board member*

Lars-Göran Pettersson  
*Board member*

Anders Stigers  
*Board member*

Mikael Sundquist  
*Board member*

Axel von Stockenström  
*Board member*

Tomas Jönsson  
*Employee Representative*

Ari Partanen  
*Employee Representative*

Ann Sommer  
*President*

My audit report was submitted on March 11, 2010.

Stefan Holmström  
*Authorised Public Accountant*

**Audit Report**

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF  
LÄNSFÖRSÄKRINGAR SAK FÖRSÄKRINGSAKTIEBOLAG (PUBL)  
CORPORATE REGISTRATION NUMBER 502010-9681

I have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2009. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning

discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts.

I recommend to the Annual General Meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

**Stockholm, March 11, 2010**

**Stefan Holmström**  
*Authorised Public Accountant*

## Board of Directors and auditors

### BOARD OF DIRECTORS

#### Elected by Annual General Meeting

**Sten Dunér**, , Chairman, President and CEO of  
Länsförsäkringar AB

**Conny Famm**, President, Länsförsäkringar Kristianstad

**Jan Fock**, President, Länsförsäkringar Skåne

**Kjell Lindfors**, President, Länsförsäkringar Norrbotten

**Anders Stigers**, President, Dalarnas Försäkringsbolag

**Mikael Sundquist**, President, Länsförsäkringar Bergslagen

**Axel von Stockenström**, Chairman, Länsförsäkringar  
Södermanland

### AUDITORS

#### Ordinary, elected by Annual General Meeting

**Stefan Holmström**, Authorised Public Accountant, KPMG AB

#### Deputy

**Gunilla Wernelind**, Authorised Public Accountant, KPMG AB

#### Appointed by Federation of Swedish Farmers

**Lars-Göran Pettersson**

#### Employee representatives

**Tomas Jönsson**, Swedish Confederation of Professional  
Associations (SACO), Länsförsäkringar Sak Försäkrings AB

**Ari Partanen**, Swedish Union of Insurance Employees (FTF),  
Länsförsäkringar Sak Försäkrings AB

#### President

**Ann Sommer**



