



# Länsförsäkringsgruppen

OPERATIONS 1999



# Contents

## LÄNSFÖRSÄKRINGSGRUPPEN (LF INSURANCE GROUP)

### Länsförsäkringsbolag (regional insurance companies)

24 independent, regional mutual insurance companies, each conducting insurance operations in a specific geographical region, and responsible for all customer contacts in the Group's areas of operations.

### Länsförsäkringsbolagens förening

A non-profit-making association comprising the 24 regional companies and eight local companies. The association's aims are to further the interests of its members and promote the concept of insurance at the local level. The association is responsible for the Group's joint strategic development and market targets.

### Länsförsäkringsgruppen (LF Insurance Group)

The LF Insurance Group comprises the 24 regional companies and Länsförsäkringar Wasa.

### Länsförsäkringar Wasa

The Parent Company of an insurance Group owned by the 24 regional insurance companies (96.5%) and Eureko B.V. (3.5%). Länsförsäkringar Wasa conducts non-life insurance business (including Lita), and also operations via life insurance (including Lita) banking, mutual fund, asset management and animal insurance companies. The Group is also responsible for the run-off of international direct insurance and reinsurance, provides services for the regional insurance companies in the above fields, and is responsible for the LF Insurance Group's development activities.

### Länsförsäkringar Wasa Liv

A wholly owned Länsförsäkringar Wasa subsidiary which conducts life insurance business, and unit-linked life insurance via its Länsförsäkringar Wasa Fondliv subsidiary. Operations are managed in accordance with mutual principles, and hence all profits accrue to customers.

### Länsförsäkringar Wasa Fonder

Wholly-owned subsidiary of Länsförsäkringar Wasa which conducts fund management operations.

### Länsförsäkringar Wasa Kapitalförvaltning (LF Asset Management)

Wholly-owned subsidiary of Länsförsäkringar Wasa which conducts asset management operations for both internal and external institutional customers.

### Länsförsäkringar Bank

Wholly-owned subsidiary of Länsförsäkringar Wasa which conducts banking operations with a focus on private individuals and the agricultural sector.

### Agria

Wholly-owned subsidiary of Länsförsäkringar Wasa which insures animals and crops.

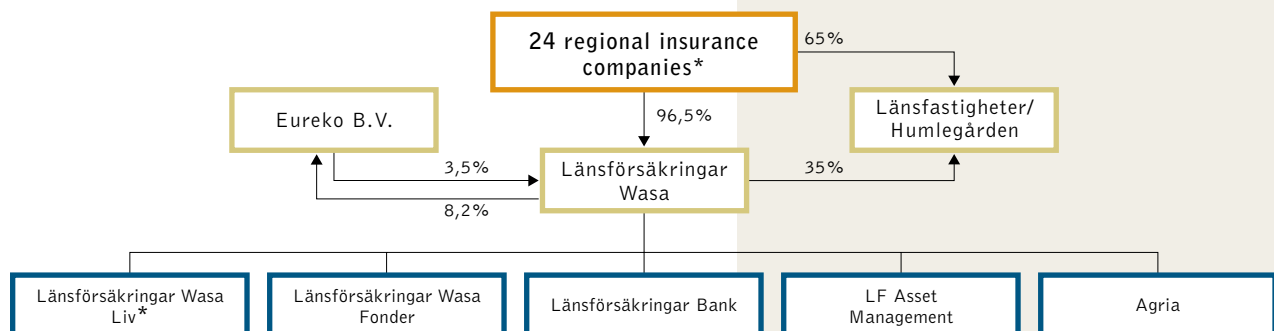
### Länsfastigheter/Humlegården

Owned by 22 regional insurance companies and Länsförsäkringar Wasa. Owns and manages properties which are mainly located in Stockholm.

### Eureko B.V.

European insurance alliance in which Länsförsäkringar Wasa is one of eight partners. The aim is to create a unit in which permits development and an exchange of expertise and other resources at the international level. The various partner companies operate completely independently and have total control in their national markets. The Eureko B.V. holding company holds 3.5% of the shares in Länsförsäkringar Wasa. In its turn, Länsförsäkringar Wasa owns 8.2% of Eureko B.V.

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\* Operated in accordance with mutual principles.

## Major achievements in 1999

- Income from non-life operations amounted to SEK 5,730 M (2,320) before appropriations and taxes. Premiums earned on own account amounted to SEK 8,744 M (7,743). More than one household in three in Sweden is insured with Länsförsäkringar.
- Twenty regional companies will pay special bonuses or dividend bonuses to customers amounting to a total of SEK 860 M, on the basis of 1999 earnings.
- Profit for the year in life insurance (traditional and unit linked) amounted to SEK 11,304 M (10,196). Operations are conducted in accordance with mutual principles, and therefore all profit accrues to customers.
- As a result of the satisfactory yield during 1999, 500,000 customers in Länsförsäkringar's life insurance companies will share a total of SEK 5 billion in addition to bonus interest. Each customer's savings increased by 6.25% on 31 December 1999.
- Länsförsäkringar was awarded the title best fund manager of the year in 1999 by the Swedish business journals (Sparöversikt, Dagens Industri and Affärsvärlden). 19 of 29 mutual funds exceeded the relevant index.
- Agria received the "Swedish Quality Award".
- Almost half the LF Insurance Group's total premium volume of SEK 16.4 billion now consists of life insurance and savings products.

# The year

*Magnus Wändel shows Länsförsäkringar Skåne's claims adjuster, Åke Jeppsson, the damage to his greenhouse in Lilla Uppåkra in southern Sweden.*



## No increase in premiums due to the storm

The "Anatol" storm struck Sweden on the night of 3–4 December, with gale force winds averaging 33 m/second at Hanö. The storm had previously raged over Denmark where it caused the worst damage for 100 years – the bill is expected to total to almost DKK 7 billion. The damage in Sweden amounted to about SEK 1 billion, and 20 of the 24 Länsförsäkringar's regional insurance companies were affected. Farmers in Skåne in southern Sweden suffered most. Due to Länsförsäkringar's dominant position, approximately

12,000 claims were reported to Länsförsäkringar Skåne, representing total compensation of over SEK 400 M to customers.

The LF Insurance Group will not increase its premiums for household, commercial or farm insurance after the storm. The possibility of autumn storms is taken into account when premiums are set, and premiums and claims are evened out over the years. A single storm and the claims incurred do not affect premiums.

## Länsförsäkringar – Sweden's best mutual fund manager

In September, the Sparöversikt savings magazine acclaimed Länsförsäkringar as the best mutual fund manager of the year, following a similar award earlier in the year as the best bond fund manager. Länsförsäkringar was the best



mutual fund manager according to Dagens Industri and Affärsvärlden (Swedish business journals). When Dagens Industri nominated Länsförsäkringar as the best mutual fund manager in January 2000 for the second year in a row, this was the sixth award in less than two years.

## Agria – Swedish quality champion

Agria, Länsförsäkringar's specialist animal and crop insurance company, received the Swedish Institute for Quality (SIQ) "Swedish Quality Award" in December. This is the highest award for the implementation of improvements for which a Swedish organization is eligible. This success is the result of the quality process which commenced five years ago. In 1998, the company achieved one of its targets when Agria became the first Swedish insurance company to receive ISO 9001 certification.

## Länsförsäkringar's pension-savers share an additional SEK 5 billion

As a result of the satisfactory yield during 1999, pension customers in Länsförsäkringar's traditional life insurance company are sharing an additional SEK 5 billion. At 31 December 1999, each customer's savings were augmented by 6.25% in addition to the normal bonus interest.

In all, 500,000 customers will be sharing the additional bonus, augmenting savings by an average of SEK 10,000.

## The regional insurance companies distribute SEK 860 M in bonuses

As a result of record income from non-life business during 1999, 20 of the 24 Länsförsäkringar's regional insurance companies decided to distribute a total of SEK 860 M in the form of bonuses to their 1,500,000 customers.







## Most satisfied customers in the industry

According to the 1999 "Swedish Quality Index" survey, the LF Insurance Group continues to have the most satisfied non-life customers in Sweden, and in the life insurance field it shares first place with Folksam. This annual survey is conducted by the Swedish Institute for Quality (SIQ), Statistics Sweden and the Stockholm School of Economics.

In the non-life sector, the LF Insurance Group received the highest rating from both commercial and private customers. Länsförsäkringar has maintained its top ranking since 1991 – when the annual survey started – with the exception of 1995, when the Dial insurance company achieved first place.

The questions asked in the survey covered customers' expectations, their perceptions of quality and their evaluation of products, services and contacts with company concerned. The non-life survey was based on a total of 9,000 telephone interviews with private individuals and businessmen in April 1999. The life insurance survey was based on 8,500 telephone interviews.

## Länsfastigheter acquired Humlegården

Länsfastigheter, one of the companies in the LF Insurance Group, acquired Humlegården Fastigheter in November. The total value of the bid amounted to approximately SEK 1.1 billion. The acquisition was based on a strategic analysis which demonstrated that Länsfastigheter was too small to be an independent company in the long term. This acquisition is part of the company's growth strategy. Humlegården's property portfolio is heavily concentrated on Stureplan, in the central business district in Stockholm. Both the Länsfastigheter and the Humlegården properties have considerable development potential

and, in combination, constitute a streamlined portfolio which offers considerable synergy effects, while simultaneously providing greater flexibility for tenants. The strategic analysis indicated that Humlegården was the company which clearly had the best possible fit with Länsfastigheter's operations.

Länsfastigheter/Humlegården is now the ninth largest landlord in Stockholm. The location of the various properties ensures efficient operation and maintenance, and allows tenants to feel that they have access to alternative premises if their operations expand or shrink.

## Satisfied customers from Wasa

The process of transferring non-life insurance and claims from Wasa to the Länsförsäkringar's regional insurance companies was completed during the autumn. More than 650,000 policies, involving total premiums of approximately SEK 1.8 billion, were distributed among the 24 regional insurance companies. Almost 90% of former private Wasa customers decided to accept the offer to continue as Länsförsäkringar policyholders after the merger.



## New managing director for the life insurance company

On 1 July, Lars Rosén, the Deputy Managing Director of Länsförsäkringar Wasa and previously Wasa's CEO, took over as Managing Director of Länsförsäkringar Wasa Liv from Bengt Wicksén, who retired after 23 years with the LF Insurance Group. Tommy Persson, Länsförsäkringar Wasa's Managing Director succeeded Lars Rosén as Chairman of the Board of Länsförsäkringar Wasa Liv.



## Länsförsäkringar extends its brand name

Länsförsäkringar – one of the strongest and most well-known brands in Sweden – is making its brand name even stronger. During the year, a project was initiated to link the trademark more clearly with savings and life insurance, based on its traditional non-life image.

A clear trademark which gives a fair picture of operations is an increasingly important factor in a more competitive business environment. The brand extension decision is also a logical outcome of developments that have taken place within the Group following the merger with Wasa in the spring of 1998.

As from 1 January 2000, the Wasa name disappeared from all marketing and customer information, following a period when “Wasa” was used as a supplementary name – for example to enable Wasa’s former customers to feel at home in the new constellation. Use of the Wasa name also indicated that Länsförsäkringar had increased resources at its disposal in the life insurance and savings sectors. But the time is now ripe to streamline the name and the brand.

## A word of warning to mutual fund investors

On 1 February, the LF Insurance Group’s mutual fund company introduced a warning in its advertising, stating that the value of mutual funds can decline. This reflected views expressed by the Swedish Consumer Agency, and was also due to the high yield achieved in 1998.

Many customers’ savings patterns indicate inadequate awareness of the possibility of a decline in the value of shares and mutual funds. The warning text is designed to make customers think more carefully before they make their choice. The mutual fund business should not tempt savers by merely presenting historical yield figures.

There are more than five million mutual fund investors in Sweden, and total savings in mutual and fixed-income funds amounted to more than SEK 850 billion at the end of 1999.

## The Länsförsäkringar Miljö environmental company commences operations in Norway and Finland

Länsförsäkringar Miljö opened a branch in Norway during the autumn, and is expected to establish an operation in Finland during the year 2000. Länsförsäkringar Miljö has been selling producer liability insurance in Norway since 1 November, in cooperation with the Norwegian Gjensidige insurance company, which has worked with the LF Insurance Group for many years. Preparations are also under way for a Finnish branch, in cooperation with the Finnish Tapiola insurance company.

In a Swedish perspective, Länsförsäkringar is now in a position to offer customers operating in the Nordic market a more cohesive solution. The establishment of Länsförsäkringar Miljö’s operations in Norway and Finland took the form of the acquisition of a holding in the company by its Finnish and Norwegian partners. During the autumn, Gjensidige acquired 30% of Länsförsäkringar Miljö, and Tapiola will buy 15% during 2000. The remaining 55% will be held by Länsförsäkringar Wasa.

## Anna-Greta Lundh, Managing Director of Länsförsäkringar Södermanland

In October, Anna-Greta Lundh became the first woman to be appointed managing director of a regional insurance company. She took over at Länsförsäkringar Södermanland in February 2000 from Lennart Nilsson, who retired after being managing director for more than 20 years. Anna-Greta Lundh previously held a senior marketing post at Länsförsäkringar Wasa.

“It is highly desirable to have a better balance between women and men at the executive level too, although gender quotas are not an appropriate way of achieving this,” Axel von Stockenström, Länsförsäkringar Södermanland’s Chairman of the Board commented.



# A record year for our customers

THE LF INSURANCE GROUP HAD A RECORD YEAR IN 1999. WE HAVE MAINTAINED OUR MARKET LEADERSHIP IN NON-LIFE INSURANCE, WHILE SIMULTANEOUSLY COMPLETING THE MERGER PROCESS WITH WASA AS PLANNED. THIS DEMONSTRATES THE GROUP'S MARKET STRENGTH, BASED ON ITS LOCAL ROOTS AND THE PROXIMITY TO CLAIMS ADJUSTMENT AND OTHER SERVICES OFFERED BY THE REGIONAL INSURANCE COMPANIES, WHICH ARE OWNED BY THEIR CUSTOMERS. THE ACQUISITION OF WASA WAS PRIMARILY DESIGNED TO STRENGTHEN THE GROUP'S POSITION IN THE LIFE INSURANCE AND SAVINGS MARKET. ALMOST HALF THE GROUP'S TOTAL PREMIUM VOLUME OF SEK 16.4 BILLION IS NOW DERIVED FROM LIFE AND SAVINGS PRODUCTS.

**L**änsförsäkringar is responsible for managing and developing the confidence and the capital built up by the independent regional companies. Local links and ownership by policyholders laid the foundations for the fire insurance companies which developed over the past two centuries into the regional insurance companies which we have today. These concepts still apply in insurance, savings and similar services. The crucial difference between Länsförsäkringar and its competitors is that Länsförsäkringar only has a single principal – the customer – who benefits from any surplus achieved in the form of bonuses and premium discounts. Our assignment from our customers, who are also our owners, also involves increasing the value of the capital they entrust to us. Our achievements in 1999 underline the fact that we have lived up to this goal.

## SEK 860 M IN BONUSES TO CUSTOMERS AS A RESULT OF DOUBLING NON-LIFE INSURANCE INCOME

As a result of record income from non-life business during 1999, 20 regional insurance companies are distributing total bonuses of SEK 860 M to their 1,500,000 customers during the first six months of 2000. The Group's total income from non-life insurance before allocations and tax amounted to SEK 5,730 M (2,320), and the total underwriting result – earnings on actual operations – amounted to SEK 527 M (88).

## TWO SUCCESS FACTORS

The record earnings achieved underline two factors in Länsförsäkringar's success. Firstly, local roots and proximity to customers lead to profitability as a result of a high degree of efficiency. The regional insurance companies know their customers, their needs and their preferences. Secondly, Länsförsäkringar manages its customers' capital with considerable skill. During the past two years, Länsförsäkringar has received six awards in the business and trade press as the best mutual and bond fund manager.

The merger with Wasa meant, for example, that almost 90% of Wasa's former private customers decided to accept the offer to become customers in the regional companies. This resulted in greater proximity to services and, in most cases, reduced premiums. In terms of the number of insurance policies, Länsförsäkringar is continuing to gain market shares in practically all sectors. During the year, unprofitable insurance business was phased out, primarily in commercial insurance operations. In combination with the fact that Länsförsäkringar has not been obliged to increase premiums at the same rate as its competitors, this means that there was a marginal reduction in the market share in terms of premiums earned, from 27.7% to 26.5% – virtually the same level as at the time of the merger.

## ADDITIONAL SEK 5 BILLION IN CUSTOMER BONUSES DUE TO RECORD LIFE INSURANCE INCOME

As a result of the satisfactory return of SEK 11,426 M (10,281) on traditional life insurance operations, 500,000 life insurance customers will share an additional SEK 5 billion during the spring of 2000. The value of their savings at 31 December 1999 will be increased by 6.25% over and above the current bonus interest.

Savings in life and united-linked insurance continued to increase significantly. As a result, premium income grew by 24% to SEK 7,633 M (6,133). Growth exceeded our expectations and we had insufficient sales resources to cope with the demand. Our growth was less than the market rate and we experienced a reduction in market share from 9.9% to 9.3%. Paradoxically, the lower market share was partly due to successful sales. The Group's new "Reflex Savings Insurance" endowment policy sold very well and, as a result, we experienced a substantial shift from annual to one-off premiums, as compared with our competitors. This affected our market share since annual premiums are multiplied by a factor of 10 when computing market shares. There were some signs of a reversal of this trend at the end of the year, however.



*Gunnar Kinch, Chairman  
Länsförsäkringsbolagens förening*



*Tommy Persson, Managing Director,  
Länsförsäkringsbolagens förening*



The regional insurance companies are conducting extensive recruitment of life insurance sales personnel in order to give the Group resources to permit more rapid growth than the market.

#### LÄNSFÖRSÄKRINGAR MOVES AGAINST THE TIDE

The LF Insurance Group's values are soundly based. Local roots, proximity to customers and mutual ownership have laid the foundations for the Group's success.

At a time when other companies are abandoning the principle of customer ownership, we are strengthening it. This was one of the fundamental reasons why the life insurance company acquired the unit-linked company from the non-life insurance business. If the unit-linked company is operated in accordance with mutual principles, the profits will go to life insurance customers. Unit-linked and life insurance customers are often the same people. This is how we are consolidating the mutual principle in the life and unit-linked market.

At a time when our competitors are closing branch offices and centralizing operations, we are doing the reverse. We are extending the principle of proximity and service at the local level. This can be seen, in particular, in the Group's focus on life insurance and savings. In the near future, for example, we will have more than 100 banking branch offices all over Sweden. This is being achieved in a cost-effective manner, avoiding expensive cash routines, and it enables us to offer a local presence at a lower cost than competitors who are centralizing their operations.

At the same time, we are expanding Internet functions to improve access. Our rivals regard the Internet as an opportunity to abandon personal service, while we are focusing increasingly on personal contacts. The Internet is suitable for several types of services, but many customers require an increasing degree of personal advice and local service.

At a time when other companies are streamlining their life and non-life business into separate companies with different brand names, we are doing the reverse. We want to extend our brand over the next five years, so that Länsförsäkringar enjoys the same degree of trust and confidence in the life insurance and savings sectors as it does in non-

life insurance. In non-life business, we have the strongest brand name in Sweden, and we intend to consolidate our reputation further.

At a time when competitors are focusing on specific sections of the insurance and savings field, we are moving in the other direction. We offer private persons and companies, banking and insurance solutions at the local level, all over Sweden. We are building 100 financial department stores, not just one.

Our customers have assigned us to move against the tide, and since we are owned by our customers, they are our sole principal.

#### WE WILL CONTINUE TO GROW

The LF Insurance Group has not stopped growing. We need to increase deposit and lending volumes in our banking operations. Crucial initiatives will be taken in this area and growth will probably take the form of structural transactions or strategic alliances.

We must expand in the increasingly important insurance broker market. The Group's current organizational structure and level of service do not correspond to our position as a market leader. As a result, a special sales company has been formed which will be in operation by the second half of 2000.

We failed to realize our ambitious plans in the Internet sphere during 1999. We are now taking active financial and personnel measures to catch up as soon as possible, and overtake our competitors in some areas.

The LF Insurance Group has acquired Wasa in the past two years, and also Humlegården, which is a listed property company. Naturally, we are also considering further additions to our core operations, but this calls for maintained or improved profitability to ensure that the capital entrusted to us by our customers will continue to grow.

23 March 2000

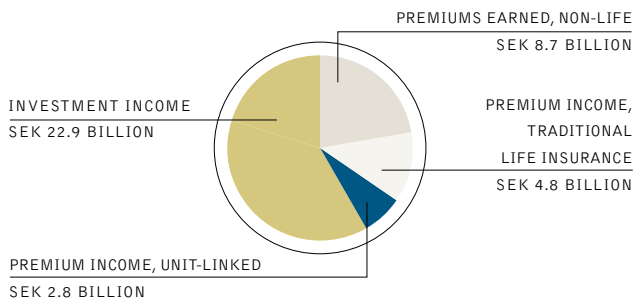
Gunnar Kinch  
Chairman  
Länsförsäkringsbolagens förening

Tommy Persson  
Managing Director  
Länsförsäkringsbolagens förening

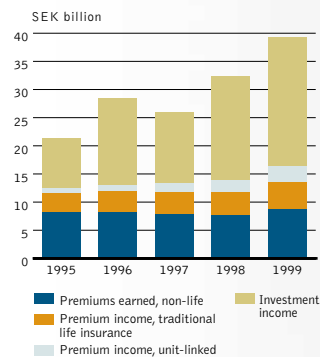
# Assets of SEK 180 billion

THE DIAGRAMS ON THIS PAGE DESCRIBE THE LF INSURANCE GROUP'S ASSETS, NET ASSET VALUE AND REVENUES FROM 1995–1999.

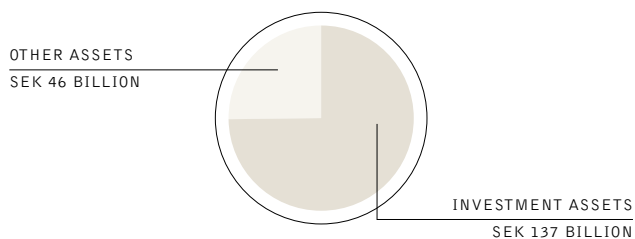
REVENUES 1999



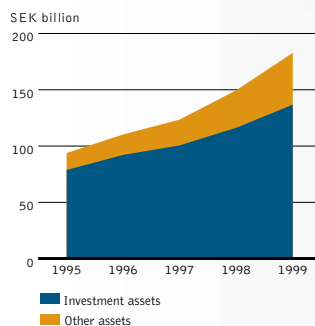
REVENUES 1995-1999



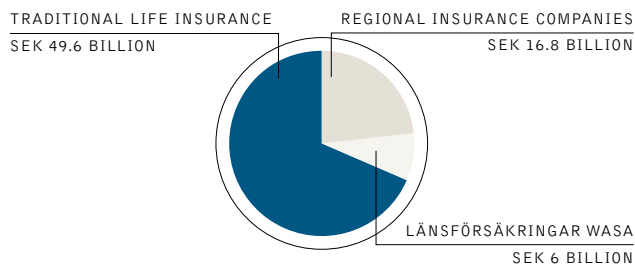
ASSETS 1999



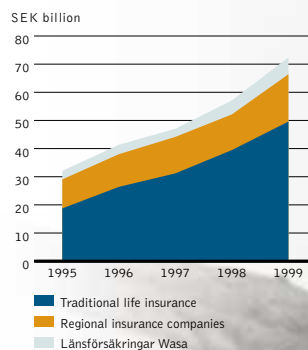
ASSETS, 1995-1999



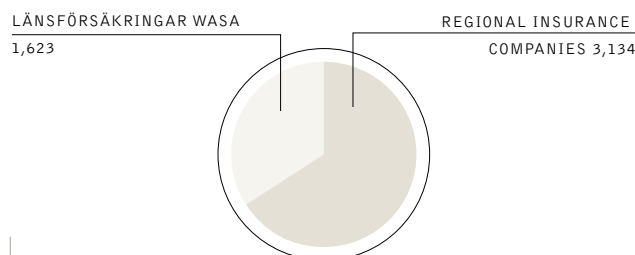
NET ASSET VALUE 1999



NET ASSET VALUE 1995-1999



NUMBER OF EMPLOYEES 1999





# The LF Insurance Group – close to everything

The LF Insurance Group's structure, with 24 independent regional insurance companies, is based on a strong belief in a local presence. The regional companies maintain contacts with customers, and the decisions which affect customers most are taken at the local level. The General Meeting of shareholders and the Board of the local regional insurance company are the supreme decision-making bodies for issues which affect the company's operations. As a result, each regional insurance company issues its own income statement and balance sheet. The fundamental principle underlying the Länsförsäkring concept is that the inhabitants and companies in a particular county should be able to receive all types of insurance and banking services from their local company.

All the regional insurance companies issue their own annual reports. Brief summaries of the reports issued by the 24 regional companies are presented on pages 10-17, including comments and key ratios. Page 48 provides an overview of the regional companies' income statements, balance sheets and selected key ratios.



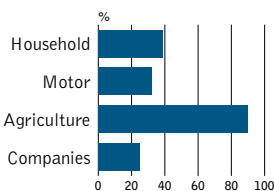
**Managing Director:**  
Jan Otterheim

**Board Chairman:**  
Börje Stjärnvist

## Blekinge Länsförsäkringsbolag



**MARKET SHARE PER PRODUCT AREA**



"Blekinge Länsförsäkringsbolag achieved healthy earnings of SEK 133.5 M before bonuses in the final year of the 20th century – the highest ever recorded. Sales and the portfolio improved during the year in both non-life and savings operations (banking, mutual funds and life insurance). Unfortunately, there was also a substantial increase in the cost of claims, culminating in the autumn storm of 3 December when the entire county was paralyzed.

The yield on the company's assets improved significantly and amounted to more than SEK 154 M, which paved the way for the strong financial results. As a result, the Board has decided to distribute a cash bonus of 30% to owners/customers on premiums paid, making a total of SEK 20.5 M.

The company is well-equipped to face the 21st century, with highly committed employees, strong finances and a new organizational structure focusing on non-life insurance, savings and claims."

*Jan Otterheim*

Non-life operations	1999	1998
Premium income, SEK M	97.5	94.1
Technical result, SEK M	-1.4	11.6
Bonus, SEK M	20.5	
Claims ratio, %	97	78
Operating expense, %	25	23
Investment income, gross, SEK M	154.8	66.6
Total yield, %	30.4	16.2
Number of customers	41,700	
<b>Life insurance</b>		
Premium income, SEK M	76.9	53.9
Number of customers	7,700	
<b>Banking</b>		
Deposits, SEK M	80.2	66.2
Lending, SEK M	13.7	6.7
Number of customers	1,900	1,700
<b>Mutual funds</b>		
Market value, SEK M	25.7	
Number of customers	650	



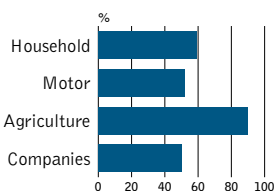
**Managing Director:**  
Anders Stigers

**Board Chairman:**  
Bengt Gabrils

## Dalarnas Försäkringsbolag



**MARKET SHARE PER PRODUCT AREA**



"Dalarnas Försäkringsbolag is reporting the highest operating income it has ever achieved – SEK 1,015 M. Our customers are receiving a full 50% bonus on their non-life premiums for 1999. In all, bonuses and owner discounts to customers amounting to SEK 233.4 M will be paid. In the savings market, the company has created higher volumes and added value for customers. The merger with Wasa has been completed and 90% of Wasa's non-life customers have accepted out offer to transfer their policies to Dalarnas Försäkringsbolag.

The insurance business is well-balanced, and profitable, despite higher claims costs. The company's financial position has been excellent for some time. The net asset value amounted to SEK 2,940 M (1,925) and the solvency margin was 709% (476)."

*Anders Stigers*

Non-life operations	1999	1998
Premium income, SEK M	503.9	471.6
Technical result, SEK M	77.3	83.9
Bonus, SEK M	233.4	77.9
Claims ratio, %	84	78
Operating expense, %	23	21
Investment income, gross, SEK M	1,281.7	236.1
Total yield, %	56.6	14.2
Number of customers	125,300	
<b>Life insurance</b>		
Premium income, SEK M	238.4	163.2
Number of customers	23,700	
<b>Banking</b>		
Deposits, SEK M	296.2	236.1
Lending, SEK M	71.3	46.2
Number of customers	6,900	5,900
<b>Mutual funds</b>		
Market value, SEK M	94.2	
Number of customers	1,800	



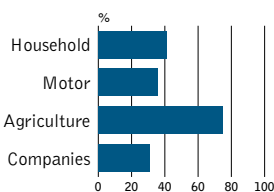
**Managing Director:**  
Jan Fager

**Board Chairman:**  
Fredrik Waern

## Länsförsäkringar Älvsborg



**MARKET SHARE PER PRODUCT AREA**



"In financial terms, 1999 broke all records, with a profit of SEK 472.5 M – largely the result of successful asset management. For the ninth year in a row, the Board decided to declare a bonus of 20% on premium payments (excluding motor insurance). In addition, there is an additional 20% designated bonus for customers who have held policies with us for five years or more.

We have continued to be successful both in the insurance and financial services markets as a result of low prices, an excellent product range, local service and effective claims adjustment operations. We received ISO 9002 quality certification in May. In the year 2000, we will be extending our activities, primarily in the financial sphere, to market banking, life insurance and mutual fund products. In the non-life area, we are endeavouring to further reinforce our customer's commitment to the company."

*Jan Fager*

Non-life operations	1999	1998
Premium income, SEK M	431.2	420.7
Technical result, SEK M	48.8	52.8
Bonus, SEK M	88.9	61.3
Claims ratio, %	84	78
Operating expense, %	22	22
Investment income, gross, SEK M	501.7	261.3
Total yield, %	30.2	18.9
Number of customers	128,700	
<b>Life insurance</b>		
Premium income, SEK M	255.0	193.8
Number of customers	26,300	
<b>Banking</b>		
Deposits, SEK M	340.5	269.9
Lending, SEK M	83.5	42.0
Number of customers	8,500	7,100
<b>Mutual funds</b>		
Market value, SEK M	124.9	
Number of customers	39,600	



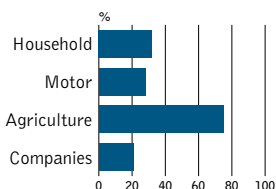
**Managing Director:**  
Janaxel Näsman

**Board Chairman:**  
Kjell Stafström

## Länsförsäkringar Gävleborg



**MARKET SHARE PER PRODUCT AREA**



“The year has been primarily characterized by a focus on the savings market, and recruitment and skills development to meet needs in this area. Our customers’ response and the substantial increase in volume give us greater self-confidence and encourage the entire organization to raise its sights. None of our competitors can currently offer a full range of non-life and savings products.”

The overall profit of SEK 157.8 M is healthy, although profitability on insurance business was unsatisfactory, with a loss of SEK 17.6 M, mainly due to a high level of claims in the consumer sector.”

*Janaxel Näsman*

Non-life operations	1999	1998
Premium income, SEK M	184.1	180.4
Technical result, SEK M	-17.6	-14.6
Claims ratio, %	84	85
Operating expense, %	29	28
Investment income, gross, SEK M	185.2	92.0
Total yield, %	28.6	16.8
Number of customers	65,200	

Life insurance		
Premium income, SEK M	136.1	115.6
Number of customers	20,700	

Banking		
Deposits, SEK M	136.4	103.5
Lending, SEK M	32.6	23.4
Number of customers	3,700	3,200

Mutual funds		
Market value, SEK M	47.6	
Number of customers	1,000	



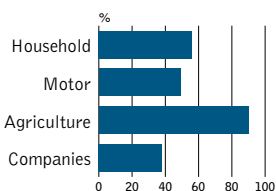
**Managing Director:**  
Lars-Åke Hörnlén

**Board Chairman:**  
Lave Olsson

## Länsförsäkringar Göinge



**MARKET SHARE PER PRODUCT AREA**



“We can now look back on what was clearly the best year in the company’s history. Some improvement in the technical result before bonuses, a considerable improvement in financial management earnings and higher sales of non-life insurance and financial services have all contributed to the overall record achievement, backed by staff who have developed our local concept in a systematic manner, in close contact with customers.”

The Board decided to declare a bonus of 15% for private customers on 1999 premiums, and 30% for corporate customers. As a result of the organizational changes which we have undertaken, with a focus on non-life and savings business and IT, we expect that many of our non-life policyholders will also regard us as an attractive partner for their life insurance, banking and mutual fund business.”

*Lars-Åke Hörnlén*

Non-life operations	1999	1998
Premium income, SEK M	107.9	105.4
Technical result, SEK M	10.5	3.3
Bonus, SEK M	13.1	
Claims ratio, %	77	80
Operating expense, %	27	27
Investment income, gross, SEK M	88.8	26.1
Total yield, %	24.4	8.1
Number of customers	29,300	

Life insurance		
Premium income, SEK M	50.8	56.6
Number of customers	6,500	

Banking		
Deposits, SEK M	69.6	56.1
Lending, SEK M	3.6	3.5
Number of customers	1,350	1,200

Mutual funds		
Market value, SEK M	23.3	
Number of customers	700	



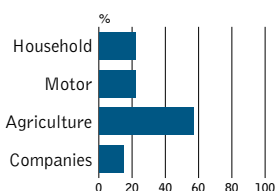
**Managing Director:**  
Ingemar Larsson

**Board Chairman:**  
Svante Järbur

## Länsförsäkringar Göteborg och Bohuslän



**MARKET SHARE PER PRODUCT AREA**



“We have had a successful year in terms of sales of life insurance and savings products, and this also applies to non-life business. The company made a profit on insurance operations, despite several major claims and higher claims costs. The company achieved record asset management earnings. Policyholders are sharing this profit in the form of a bonus of SEK 25 M.”

There was considerable concentration on the life insurance and savings market during the year, resulting in the establishment of a new office in the centre of Gothenburg, for example. Skills development and IT are two priority areas during the year 2000.”

*Ingemar Larsson*

Non-life operations	1999	1998
Premium income, SEK M	463.0	329.5
Technical result, SEK M	63.2	50.9
Bonus, SEK M	25.0	13.9
Claims ratio, %	74	70
Operating expense, %	21	21
Investment income, gross, SEK M	337.0	145.9
Total yield, %	29.3	13.9
Number of customers	136,100	

Life insurance		
Premium income, SEK M	698.3	459.2
Number of customers	42,800	

Banking		
Deposits	402.6	332.1
Lending, SEK M	41.6	44.9
Number of customers	10,900	10,000

Mutual funds		
Market value, SEK M	212.3	
Number of customers	3,050	





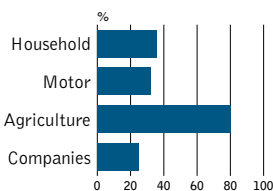
**Managing Director:**  
Mats Ericsson

**Board Chairman:**  
Erling Johansson

## Länsförsäkringar Halland



**MARKET SHARE PER PRODUCT AREA**



"Länsförsäkringar Halland had a very busy year in 1999. Telephone calls grew by 85% in a relatively short time, and the same phenomenon may also be noted in the household market, where there was a net increase of 15,105 policies, and in the company/agricultural sector where there was an increase of 2,545 policies. Sales of life insurance rose from SEK 8.1 M to SEK 29.9 M. Mutual fund saving increased by 161%, and considerable success has also been achieved in banking operations.

In combination with investment income, this resulted in earnings of SEK 271.3 M (77.3). The company is declaring a bonus of about SEK 20 M."

*Mats Ericsson*

Non-life operations	1999	1998
Premium income, SEK M	229.3	193.0
Technical result, SEK M	18.7	5.2
Bonus/ownerbonus, SEK M	20.7	9.9
Claims ratio, %	79	77
Operating expense, %	25	28
Investment income, gross, SEK M	318.2	103.0
Total yield, %	30.0	12.0
Number of customers	71,300	
<b>Life insurance</b>		
Premium income, SEK M	171.9	129.3
Number of customers	18,300	
<b>Banking</b>		
Deposits, SEK M	202.2	140.5
Lending, SEK M	77.0	23.5
Number of customers	4,600	3,700
<b>Mutual funds</b>		
Market value, SEK M	78.2	
Number of customers	18,200	



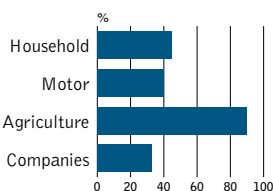
**Managing Director:**  
Errol Stehn

**Board Chairman:**  
Arne Normann

## Jämtlands Länsförsäkringsbolag



**MARKET SHARE PER PRODUCT AREA**



"We had a good year in 1999. Income before bonuses, tax and allocations amounted to SEK 88.9 M, the highest the company has ever achieved. Record earnings were largely due to financial operations, although a surplus was also achieved on insurance business – for the 12th year in a row.

The market gave the merger with Wasa a good reception, and the merger resulted in a larger portfolio in all sectors. However, demographic decline gives cause for concern in our county and is resulting in a stagnant market in the non-life field.

We are reporting continued strong growth in the savings sector (life insurance, banking and mutual funds), and we expect this to continue. We will be embarking on further expansion of our resources during the year 2000."

*Errol Stehn*

Non-life operations	1999	1998
Premium income, SEK M	146.1	151.1
Technical result, SEK M	19.2	5.6
Bonus, SEK M	15.5	16.6
Claims ratio, %	75	86
Operating expense, %	23	21
Investment income, gross, SEK M	88.9	55.4
Total yield, %	17.6	12.1
Number of customers	50,300	
<b>Life insurance</b>		
Premium income, SEK M	78.9	62.4
Number of customers	10,000	
<b>Banking</b>		
Deposits, SEK M	94.9	69.7
Lending, SEK M	30.1	10.3
Number of customers	2,300	1,900
<b>Mutual funds</b>		
Market value, SEK M	26.1	
Number of customers	600	



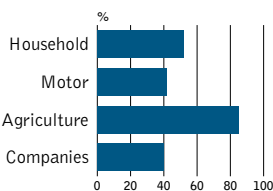
**Managing Director:**  
Johan Svedberg

**Board Chairman:**  
Evert Svensson

## Länsförsäkringar Jönköping



**MARKET SHARE PER PRODUCT AREA**



"Following the merger with Wasa, operations in 1999 were dominated by the integration process which, we are happy to report, proceeded smoothly. 90% of Wasa's policyholders renewed their policies with us. In combination with satisfactory volume growth in regular operations, this further reinforces our market position.

Income for the year of SEK 214 M includes continued profit on insurance operations of SEK 46 M which will be repaid to policyholders in its entirety. During 2000, we will be devoting increased attention to the savings market."

*Johan Svedberg*

Non-life operations	1999	1998
Premium income, SEK M	353.4	312.5
Technical result, SEK M	46.5	62.8
Bonus, SEK M	35.6	34.5
Claims ratio, %	82	70
Operating expense, %	18	18
Investment income, gross, SEK M	227.6	97.3
Total yield, %	23.4	11.0
Number of customers	101,500	
<b>Life insurance</b>		
Premium income, SEK M	224.5	179.1
Number of customers	22,300	
<b>Banking</b>		
Deposits, SEK M	209.4	163.5
Lending, SEK M	44.5	18.8
Number of customers	5,100	4,300
<b>Mutual funds</b>		
Market value, SEK M	75.9	
Number of customers	1,550	



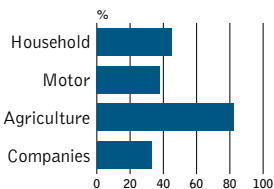
**Managing Director:**  
Lars B Danielsson

**Board Chairman:**  
Jan Peter Pontén

## Länsförsäkringar Kalmar län



### MARKET SHARE PER PRODUCT AREA



"1999 was a very good year for us. Earnings broke all records in absolute terms, largely due to a high yield on our Swedish share portfolio. During the year, we were affected by a large number of fire damage claims on housing properties, but the technical result was nonetheless satisfactory. We will be distributing a total of approximately SEK 77 M in the form of bonuses and owner discounts.

There was healthy development in all product areas. In the case of non-life insurance, growth was the highest for 15 years, and sales of life and pension insurance broke new records.

The integration process with Wasa has now been completed and has been very successful."

*Lars B Danielsson*

Non-life operations	1999	1998
Premium income, SEK M	274.3	243.1
Technical result, SEK M	28.4	31.2
Bonus, SEK M	76.8	29.6
Claims ratio, %	77	74
Operating expense, %	25	23
Investment income, gross, SEK M	314.4	111.1
Total yield, %	27.6	11.4
Number of customers	75,600	
<b>Life insurance</b>		
Premium income, SEK M	235.4	128.4
Number of customers	16,100	
<b>Banking</b>		
Deposits, SEK M	126.8	110.7
Lending, SEK M	26.5	17.2
Number of customers	3,100	2,650
<b>Mutual funds</b>		
Market value, SEK M	43.8	
Number of customers	1,200	



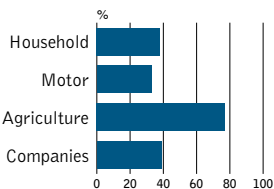
**Managing Director:**  
Dick Söderlund

**Board Chairman:**  
Olov Olovsson

## Länsförsäkring Kronoberg



### MARKET SHARE PER PRODUCT AREA



"Business developed strongly in 1999. Sales exceeded expectations and we have acquired more than 10,000 new non-life customers – 6,000 in the motor insurance sector.

Sales of life and pension insurance increased by 37%. We attribute the substantial increase in new mutual fund business to the popularity of the regional insurance companies' products in this field. Despite stiff competition, our banking operations have expanded, particularly for housing loans.

The insurance operations are now profitable once more, and assets management has achieved record results. Our share portfolio and the mutual funds we have invested in have performed very well in comparison with the market."

*Dick Söderlund*

Non-life operations	1999	1998
Premium income, SEK M	166.5	153.6
Technical result, SEK M	4.6	-2.2
Bonus, SEK M	4.5	
Claims ratio, %	77	81
Operating expense, %	22.3	25
Investment income, gross, SEK M	101.7	15.0
Total yield, %	24.9	6.2
Number of customers	47,000	
<b>Life insurance</b>		
Premium income, SEK M	173.3	138.2
Number of customers	13,500	
<b>Banking</b>		
Deposits, SEK M	144.1	118.8
Lending, SEK M	18.1	6.9
Number of customers	3,000	2,700
<b>Mutual funds</b>		
Market value, SEK M	57.5	
Number of customers	2,050	



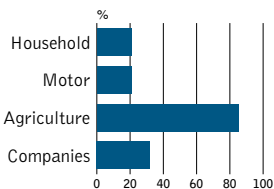
**Managing Director:**  
Kjell Lindfors

**Board Chairman:**  
Lars Karbin

## Länsförsäkringar Norrbotten



### MARKET SHARE PER PRODUCT AREA



"Länsförsäkringar Norrbotten's operations were chiefly characterized by an increase in the number of new customers and efforts to develop the organizational structure. In non-life insurance, the increase in the number of customers is largely due to the merger with Wasa. The company's personnel resources for customer and claims adjustment services have been reinforced during the year in order to ensure customer satisfaction.

The county suffered from an extreme cold spell early in the year which contributed to an abnormally high incidence of claims for 1999. The company increased its market shares in the life insurance and savings market, and a special savings organization has been established to reinforce endeavours in this area. During 2000, there will be further restructuring of the net asset value in order to achieve a more appropriate allocation of resources."

*Kjell Lindfors*

Non-life operations	1999	1998
Premium income, SEK M	121.6	107.8
Technical result, SEK M	-17.6	-11.1
Claims ratio, %	95	90
Operating expense, %	25	29
Investment income, gross, SEK M	25.9	16.8
Total yield, %	9.5	6.2
Number of customers	46,800	
<b>Life insurance</b>		
Premium income, SEK M	112.2	71.4
Number of customers	10,700	
<b>Banking</b>		
Deposits, SEK M	63.5	59.3
Lending, SEK M	22.9	14.2
Number of customers	3,300	3,300
<b>Mutual funds</b>		
Market value, SEK M	27.9	
Number of customers	600	



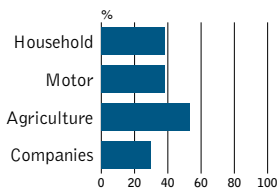
**Managing Director:**  
Carl Henrik Ohlsson

**Board Chairman:**  
Karl-Erik Axelsson

## Länsförsäkringar Skaraborg



### MARKET SHARE PER PRODUCT AREA



"We had a record year in 1999 in many ways, and we now have a new regional insurance company with an overall theme of "insurance, saving and borrowing at the local level." Sales increased by 43%, and we reduced our operating expenses by 3.4%. The net expense ratio was 99.5%, and the integration with Wasa worked well at the local level. In all, we achieved a technical result for insurance business of SEK 18.4 M, before the loyalty bonus and dividend bonus, which enables us to distribute bonuses of SEK 5 M to our corporate customers.

Our asset management operations provided a record yield of SEK 134.6 M, which enabled us give a loyalty bonus in the form of a fund donation of SEK 11 M to all full-service customers. We now have solvency margin of 285%, which enables us to meet the future with some confidence."

*Carl Henrik Ohlsson*

Non-life operations	1999	1998
Premium income, SEK M	263.9	243.0
Technical result, SEK M	18.4	0.5
Bonus, SEK M	16.7	9.5
Claims ratio, %	74	80
Operating expense, %	25	24
Investment income, gross, SEK M	134.6	98.4
Total yield, %	16.5	16.0
Number of customers	74,500	

Life insurance		
Premium income, SEK M	188.9	64.2
Number of customers	18,200	

Banking		
Deposits, SEK M	201.3	163.1
Lending, SEK M	40.3	20.2
Number of customers	5,100	4,600

Mutual funds		
Market value, SEK M	110.5	
Number of customers	19,400	



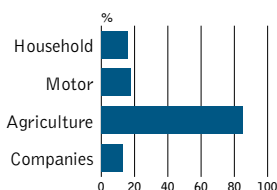
**Managing Director:**  
Carl Dahlberg

**Board Chairman:**  
Bengt Ljungqvist

## Länsförsäkringar Stockholm



### MARKET SHARE PER PRODUCT AREA



"After a tough year, in which the focus was on the merger process and the transfer of operations to a joint head office in Solna, we have regained our impetus and achieved very satisfactory earnings for the full year.

We have been highly successful in the market, and our earnings of SEK 255 M are a record. This was largely due to intelligent investments and fantastic growth on the stock exchange.

During 2000, we will be devoting considerable effort to extending our brand name to encompass life insurance and savings operations, while simultaneously expanding in the non-life sector."

*Carl Dahlberg*

Non-life operations	1999	1998
Premium income, SEK M	790.4	539.7
Technical result, SEK M	-57.9	-15.3
Claims ratio, %	95	86
Operating expense, %	28	30
Investment income, gross, SEK M	452.2	227.8
Total yield, %	26.4	16.3
Number of customers	217,800	152,000

Life insurance		
Premium income, SEK M	2,111.4	1,803.6
Number of customers	108,700	

Banking		
Deposits, SEK M	2,451.5	2,368.4
Lending, SEK M	354.4	247.9
Number of customers	45,000	41,500

Mutual funds		
Market value, SEK M	811.3	
Number of customers	8,950	



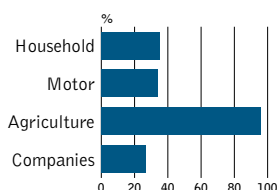
**Managing Director:**  
Anna-Greta Lundh

**Board Chairman:**  
Axel von Stockenström

## Länsförsäkringar Södermanland



### MARKET SHARE PER PRODUCT AREA



"Länsförsäkringar Södermanland had a good year in 1999. We increased our sales of life and pension products substantially, started to establish our position as the homeowners' bank, and strengthened our position as the foremost insurance company in the county.

The financial results broke all records, mainly due to good asset management performance. This enables us to distribute total bonuses of SEK 23.5 M (13) to private, agricultural and corporate customers.

In the year 2000, we will be focusing on the "saving – investment – borrowing" theme to an even greater extent. We have the wind in our sails as a result of the current public discussion of mutual funds, investment and the government's premium pension system, since this makes customers more interested in our message and our products."

*Anna-Greta Lundh*

Non-life operations	1999	1998
Premium income, SEK M	246.4	244.6
Technical result, SEK M	12.1	7.6
Bonus, SEK M	23.5	13.0
Claims ratio, %	81	82
Operating expense, %	25	25
Investment income, gross, SEK M	192.1	76.0
Total yield, %	27.0	12.2
Number of customers	66,800	

Life insurance		
Premium income, SEK M	137.7	104.9
Number of customers	15,400	

Banking		
Deposits, SEK M	147.2	113.5
Lending, SEK M	43.1	23.7
Number of customers	4,000	3,300

Mutual funds		
Market value, SEK M	57.6	
Number of customers	1,300	



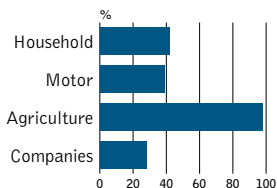
**Managing Director:**  
Ingemar Åkeson

**Board Chairman:**  
Björn Sundell

## Länsförsäkringar Uppsala



### MARKET SHARE PER PRODUCT AREA



"Income for the year, which was SEK 229.8 M (69.1) before allocations and tax, was the best the company has ever achieved, enabling us to continue to offer a bonus. The 10% owner's bonus will be maintained during 2000, which means that SEK 26.6 M will be returned directly to customers. The satisfactory level of earnings also permits continued investment in IT and skills development.

There is an increasing focus in the company's operations on financial services. In addition to the obvious services such as life and pension insurance, this also includes banking services and mutual funds. One third of our staff's time is now devoted to this area. We have installed our first ATM at our head office. Our preventive health-care company, Fyris Hälsoakademi, has developed very well during the year, and we are now doubling the floor space to cope with the expansion of operations."

*Ingemar Åkeson*

Non-life operations	1999	1998
Premium income, SEK M	305.1	282.5
Technical result, SEK M	29.4	18.8
Bonus, SEK M	26.6	14.1
Claims ratio, %	86	83
Operating expense, %	23	24
Investment income, gross, SEK M	290.5	109.4
Total yield, %	29.8	12.3
Number of customers	80,400	

Life insurance		
Premium income, SEK M	258.6	186.1
Number of customers	25,600	

Banking		
Deposits, SEK M	251.7	209.1
Lending, SEK M	33.8	24.8
Number of customers	5,500	4,700

Mutual funds		
Market value, SEK M	109.4	
Number of customers	2,500	



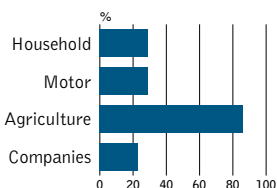
**Managing Director:**  
Ulf Eriksson

**Board Chairman:**  
Folke Andersson

## Länsförsäkringar Värmland



### MARKET SHARE PER PRODUCT AREA



"Länsförsäkringar's local concept also applies at the global level. Customer faith in operations with local roots was reinforced during 1999. Improved earnings of SEK 23.3 M (18.9) and higher market shares provide evidence of a successful year.

Extension of our brand name and growth in the savings market are the major challenges we face in the year 2000.

Everyone who has helped to make the merger between the LF Insurance Group and Wasa so successful during the past year should be sincerely congratulated."

*Ulf Eriksson*

Non-life operations	1999	1998
Premium income, SEK M	198.4	199.9
Technical result, SEK M	-6.1	-5.0
Claims ratio, %	82	82
Operating expense, %	25	26
Investment income, gross, SEK M	39.1	34.6
Total yield, %	6.8	6.4
Number of customers	66,200	

Life insurance		
Premium income, SEK M	109.9	99.8
Number of customers	15,600	

Banking		
Deposits, SEK M	83.5	73.2
Lending, SEK M	14.9	10.2
Number of customers	2,550	2,300

Mutual funds		
Market value, SEK M	41.5	
Number of customers	800	



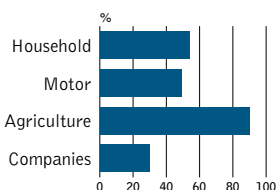
**Managing Director:**  
Conny Famm

**Board Chairman:**  
Göran Trobro

## Länsförsäkringar Kristianstad



### MARKET SHARE PER PRODUCT AREA



"The company clearly had its best year ever in 1999. Income before bonuses, allocations and tax amounted to SEK 86.2 M, and the Board decided to recommend a bonus of SEK 16.5 M.

During the year, we offered all former Wasa non-life customers an opportunity to become customers in our company, and 93% accepted. The company has reinforced its market leadership in non-life insurance, and significantly expanded its personal insurance, banking and mutual fund business.

A platform for a local financial department store, offering non-life and personal insurance, and banking and mutual fund services, has been established, and it has backing within the organization. An active, systematic and structured customer development programme is under way."

*Conny Famm*

Non-life operations	1999	1998
Premium income, SEK M	113.1	104.9
Technical result, SEK M	11.7	8.5
Bonus, SEK M	16.5	
Claims ratio, %	75	77
Operating expense, %	24	25
Investment income, gross, SEK M	88.4	50.5
Total yield, %	24.6	16.3
Number of customers	32,100	

Life insurance		
Premium income, SEK M	54.6	50.3
Number of customers	6,500	

Banking		
Deposits, SEK M	85.6	66.6
Lending, SEK M	11.3	5.5
Number of customers	1,500	1,250

Mutual funds		
Market value, SEK M	31.4	
Number of customers	600	



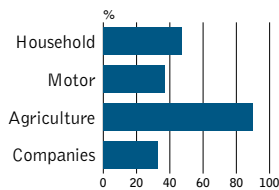
**Managing Director:**  
Rutger Arnesson

**Board Chairman:**  
Anders Nilsson

## Länsförsäkringar Västernorrland



### MARKET SHARE PER PRODUCT AREA



"The year was largely dominated by the merger with Wasa and the takeover of the Lövånger Socken portfolio. The company's market shares increased markedly during the year, and we are now close to 60% in the house & contents sector, for example.

Efforts to develop the life and savings segment have been highly successful. The volume of life insurance business increased by 67% during the year.

In addition, the satisfactory trend in the various sectors is complemented by record financial results – SEK 204 before bonuses."

*Rutger Arnesson*

Non-life operations	1999	1998
Premium income, SEK M	260.9	233.9
Technical result, SEK M	-7.5	2.0
Bonus, SEK M	8.7	14
Claims ratio, %	75	72
Operating expense, %	31	31
Investment income, gross, SEK M	221.6	45.6
Total yield, %	23.5	5.4
Number of customers	82,700	

Life insurance		
Premium income, SEK M	196.0	149.7
Number of customers	19,000	

Banking		
Deposits, SEK M	270.2	212.9
Lending, SEK M	31.3	17.3
Number of customers	5,700	4,700

Mutual funds		
Market value, SEK M	108.2	
Number of customers	1,450	



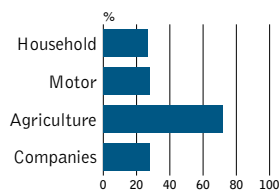
**Managing Director:**  
Anders Hörnfeldt

**Board Chairman:**  
Olof Kristow

## Länsförsäkringar Västernorrland



### MARKET SHARE PER PRODUCT AREA



"We completed our branch-office development programme in 1999 to make us accessible and close to our customers, and we now have operations in central business locations throughout the county. The extension of the brand name is beginning to make itself felt in the form of increased banking, mutual fund and life insurance portfolios. In the non-life sector, claims were higher than budgeted, particularly for motor insurance. Premiums earned were at the budgeted level, for the most part. The company enjoyed satisfactory asset growth during the year.

Once again, we can report the highest earnings in the history of the company, with a profit of SEK 105 M (78), and we were happy to announce customer bonuses of SEK 30 M. During 2000, we will continue to ensure that the inhabitants of our county regard us as the insurance company which offers the widest range of insurance policies and financial services."

*Anders Hörnfeldt*

Non-life operations	1999	1998
Premium income, SEK M	192.5	186.8
Technical result, SEK M	-2.0	-3.1
Bonus, SEK M	30.0	15.0
Claims ratio, %	90	79
Operating expense, %	25	28
Investment income, gross, SEK M	131.5	87.3
Total yield, %	24.3	15.2
Number of customers	57,700	

Life insurance		
Premium income, SEK M	140.8	123.2
Number of customers	16,000	

Banking		
Deposits, SEK M	142.5	107.3
Lending, SEK M	26.9	18.1
Number of customers	3,650	3,100

Mutual funds		
Market value, SEK M	54.7	
Number of customers	23,900	



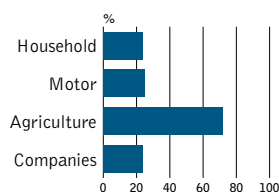
**Managing Director:**  
Jan Karlsson

**Board Chairman:**  
Frans-Henrik Schartau

## Länsförsäkringar Bergslagen



### MARKET SHARE PER PRODUCT AREA



"The process of completing the merger with Wasa dominated the year. Almost 90% of Wasa's customers accepted our offer to transfer their business to us. In combination with the favourable development of our portfolio in other respects, this meant that the non-life premium volume increased by 24%. The merger has had an even greater impact on life insurance operations. The premium volume increased to SEK 340 M, of which SEK 156 M was the result of the acquisition of the Wasa portfolio. The satisfactory level of investment income contributed substantially to the company's record operating income of SEK 233 M, after distribution of a bonus of SEK 33 M to our customers.

During the next few years, operations will primarily focus on expansion in the life insurance, banking and mutual fund areas, which is where we believe the greatest opportunities lie."

*Jan Karlsson*

Non-life operations	1999	1998
Premium income, SEK M	320.2	281.0
Technical result, SEK M	31.0	10.6
Bonus, SEK M	33.0	5.0
Claims ratio, %	87	90
Operating expense, %	22	23
Investment income, gross, SEK M	296.4	180.0
Total yield, %	24.3	16.6
Number of customers	100,200	

Life insurance		
Premium income, SEK M	340.7	247.1
Number of customers	27,700	

Banking		
Deposits, SEK M	228.1	176.5
Lending, SEK M	46.8	22.4
Number of customers	6,050	5,250

Mutual funds		
Market value, SEK M	80.3	
Number of customers	1,650	





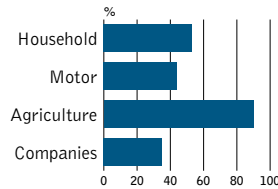
**Managing Director:**  
Jan-Gunnar Persson

**Board Chairman:**  
Gunnar Gunnarsson

## Östgöta Brandstodsbolag



### MARKET SHARE PER PRODUCT AREA



"The company enjoyed a record year in 1999, both in financial and market share terms. The yield on the company's total assets amounted to approximately 28%, which was the main reason for our overall income of SEK 557 M (311) before bonuses, owner discounts and tax. As a result, the Board has decided to distribute bonuses and owner discounts amounting to 30% of premiums, making a total of SEK 75 M.

The non-life portfolio expanded, leading to a substantial increase in market shares. This was due to the successful transfer of the Wasa portfolio and an appreciable increase in our own sales. Our house insurance market share is now 65% (62), and we have 40% (35) of motor insurance business. Life insurance and banking operations are expanding at the scheduled rate. In value terms, life insurance sales increased by 26%, bank deposits by 40% and lending, including commission sales for SBAB, by 300%."

*Jan-Gunnar Persson*

Non-life operations	1999	1998
Premium income, SEK M	471.1	483.9
Technical result, SEK M	52.2	22.1
Bonus, SEK M	109.4	62.3
Claims ratio, %	83	83
Operating expense, %	26	26
Investment income, gross, SEK M	607.1	368.3
Total yield, %	27.6	19.3
Number of customers	30,400	

Life insurance		
Premium income, SEK M	358.0	226.4
Number of customers	30,450	

Banking		
Deposits, SEK M	357.4	256.1
Lending, SEK M	89.7	39.7
Number of customers	7,200	5,900

Mutual funds		
Market value, SEK M	96.3	
Number of customers	2,700	



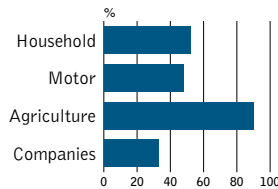
**Managing Director:**  
Leif Ellström

**Board Chairman:**  
Holger Eriksson

## Länsförsäkringar Gotland



### MARKET SHARE PER PRODUCT AREA



"The company had a very good year in 1999, with increased portfolios and market shares.

Cooperation with Länshypotek, and our joint localization of operations which included the inauguration of two joint local branches, resulted in the reinforcement of our local concept and ensures satisfactory development of our banking business.

The financial markets have provided excellent prerequisites for a high yield on the bank's investment assets, enabling the company to report a record income of more than SEK 103 M, before tax and SEK 11 M after bonuses. During the year, we also reinforced our operations on the personnel side, which means that we are well prepared for future developments."

*Leif Ellström*

Non-life operations	1999	1998
Premium income, SEK M	76.4	77.1
Technical result, SEK M	14.7	16.0
Bonus, SEK M	11.0	12.6
Claims ratio, %	66	64
Operating expense, %	25	22
Investment income, gross, SEK M	110.5	110.5
Total yield, %	25.6	12.1
Number of customers	21,600	

Life insurance		
Premium income, SEK M	22.7	19.0
Number of customers	3,700	

Banking		
Deposits, SEK M	65.3	40.0
Lending, SEK M	47.3	13.0
Number of customers	1,350	900

Mutual funds		
Market value, SEK M	9.8	
Number of customers	500	



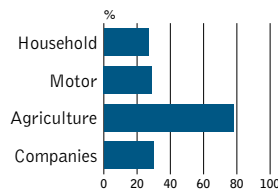
**Managing Director:**  
Jan Fock

**Board Chairman:**  
Gunnar Kinch

## Länsförsäkringar Skåne



### MARKET SHARE PER PRODUCT AREA



"Despite storms and major claims, 1999 resulted in a considerable surplus. The insurance business is well balanced. Developments on the stock exchange contributed to favourable investment income and owners/customers will receive a premium bonus of 10%.

More than 90% of Wasa's private customers and roughly 85% of other Wasa customer categories transferred their policies to us. Sales in the personal insurance sector increased by 31%. Banking and mutual fund business was higher than budgeted, both for deposits and lending.

The single most significant event during the year was the storm which struck Skåne on the night of 3-4 December. This resulted in 11,500 claims on the company, at a total cost of SEK 400 M, although this only resulted in a charge of approximately SEK 7 M net against income for the year, due to reinsurance."

*Jan Fock*

Non-life operations	1999	1998
Premium income, SEK M	618.6	456.6
Technical result, SEK M	47.1	20.5
Bonus, SEK M	51.3	
Claims ratio, %	80	81
Operating expense, %	23	24
Investment income, gross, SEK M	348.0	155.9
Total yield, %	21.0	11.8
Number of customers	195,700	

Life insurance		
Premium income, SEK M	602.6	519.9
Number of customers	60,600	

Banking		
Deposits, SEK M	354.8	309.9
Lending, SEK M	101.2	48.3
Number of customers	12,800	12,000

Mutual funds		
Market value, SEK M	238.2	
Number of customers	4,400	

# Länsförsäkringar Wasa, 1999

**L**änsförsäkringar Wasa, with its base in Stockholm, is the linchpin holding the LF Insurance Group together. Länsförsäkringar Wasa is jointly owned by the regional insurance companies (Eureko B.V. owns 3.5%). Its assignment is to establish the prerequisites for the success of the regional companies in their various markets by taking responsibility for joint insurance, banking and mutual fund transactions and asset management, providing services and conducting joint development projects. Länsförsäkringar Wasa has business responsibility for life insurance, banking and mutual fund operations and some types of non-life insurance. But the regional insurance companies have customer responsibility for practically all types of operations. The fundamental principle underlying the Länsförsäkring concept is that the inhabitants and companies in a particular county should be able to receive all types of insurance and banking services from their local company.

Länsförsäkringar Wasa's profitability trend for non-life business continued to be weak in 1999. Third-party motor insurance premiums were raised during the year. In combination with the introduction of new rates, this is expected to result in breakeven in 2000 and a profit in 2001. The operating expenses ratio declined significantly during the year. There was substantial volume growth in the savings sector. In combination with synergy gains as a result of the merger between Länsförsäkringar and Wasa, this helped to reduce operating expenses. Länsförsäkringar Wasa's insurance operations are described in detail in the relevant sections of this report.

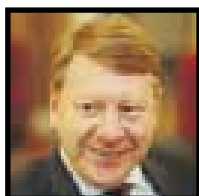
In Länsförsäkringar Wasa's second main area – development operations – the Länsförsäkringar/Wasa merger process was completed in

1999. Non-life policies and claims were transferred from Wasa to the regional insurance companies during the autumn, thus completing the final phase. Total annual synergy gains after three years are estimated to amount to SEK 500 M, at a total cost of SEK 650 M for the merger. A synergy gain of SEK 294 M was achieved in 1999, which is on target. The restructuring cost amounted to SEK 260 M, which is also in line with our expectations. A new strategy document has been prepared, including presentation of new joint objectives – the LF Insurance Group is to be as strong in life insurance and savings as it is in the non-life sector. The development of a new customer management system for all sub-markets during the year represented a major step in the implementation of the Group's IT strategy. During the year, Länsförsäkringar Wasa purchased the Amsterdam property at Gärdet in Stockholm to permit all operations to be gathered under one roof.

## INCOME FOR LÄNSFÖRSÄKRINGAR WASA, EXCLUDING LIFE INSURANCE OPERATIONS

SEK M	1999	1998
Premiums earned	3,017	2,806
Result before tax	1,658	450
Net asset value	5,983	4,986
Solvency margin, %	239	154
Expense ratio	118	141
Total yield	6.3	14.2

See pages 50-52 for income for traditional life and united-linked insurance, mutual fund management, asset management and banking.



Tommy Persson

### TOMMY PERSSON

Born 1948  
Managing Director  
Employed since 1996



Lars Rosén

### LARS ROSÉN

Born 1945  
Deputy Managing Director,  
Managing Director Länsförsäkringar Wasa Liv  
Employed since 1984



Göran Fredriksson

### GÖRAN FREDRIKSSON

Born 1953  
Deputy Managing Director,  
Manager Non-life Division  
Employed since 1983



Bo Ennerberg

### BO ENNERBERG

Born 1948  
Deputy Managing Director,  
Chief Financial Officer  
Employed since 1984

# Board of Directors of Länsförsäkringar Wasa



*Jan Sparr*



*Gunnar Kinch*



*Frans-Henrik Schartau*



*Lars B Danielsson*



*John Helgesson*



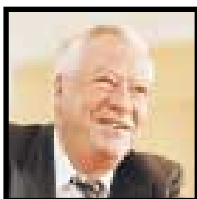
*Sverre Høegh-Krohn*



*Klaus Bonde Larsen*



*Åke Modig*



*Arne Normann*



*Tommy Persson*



*Johan Svedberg*



*Caroline Trapp*



*Lars Brolin*



*Carl Johan Gezelius*



*Christer Ekehov*



*Sven-Erik Martinell*



*Ingrid Gutemyr*

## **JAN SPARR**, born 1932

Board Chairman

Other board memberships: Chairman: Independent Media Group AB, NDC Netzler & Dahlgren Co AB, WASA Trust; Deputy Chairman: National Association of Shareholders; board member: Länsförsäkringar Stockholm, Spendrups Bryggeri AB, Aktieinvest.

## **GUNNAR KINCH**, born 1936

Chairman Länsförsäkringsbolagen Förening

Farm manager, Belteberga Lantbruks AB

First Deputy Chairman

Other board memberships: Chairman: Länsförsäkringar Skåne; board member: Länsförsäkringar Miljö AB.

## **FRANS-HENRIK SCHARTAU**, born 1938

Director, Stockholm Chamber of Commerce

Second Deputy Chairman

Other board memberships: Länsförsäkringar Bergslagen, Scan Foods, Stockholmsmässan, Skyllbergs Bruk, Länsförsäkringar Wasa Liv, Länsförsäkringar Bank.

## **LARS B DANIELSSON**, born 1950

Managing Director, Länsförsäkringar Kalmar län

Other board memberships: Chairman: Cimon Venture Trust AB, board member: Southern Sweden Regional Chamber of Industry and Commerce for Kalmar County.

## **JOHN HELGESSON**, born 1945

President, Stena Fastigheter AB

Other board memberships: Stena Fastigheter AB, Hotel Nouveau AB, Örgryte Bostads AB, Länsförsäkringar Skåne, Swedish Federation for Property Owners.

## **SVERRE HØEGH-KROHN**, born 1944

CEO, Gjensidige, Norway

Other board memberships: Sparbanken, Norway.

## **KLAUS BONDE LARSEN**, born 1933

Administrative Director V.S. Larsen Holding A/S

Other board memberships: Chairman Topdanmark A/S, Kapital Holding A/S, V.S. Larsen Holding A/S, Ejendomsselskabet V.S. Larsen A/S, Protektas A/S, Stryn Rasmussen Holding A/S, Exponent A/S.

## **ÅKE MODIG**, born 1945

President and CEO, Arla ekonomisk förening

Other board memberships: DLF, EAN, Dairy Industry Association, Spendrups Bryggeri AB, Scan Foods, Federation of Swedish Industries, Livsmedelsindustrierna.

## **ARNE NORMANN**, born 1936

Judge, Jämtland County Administrative Court

Other board memberships: Chairman of Jämtlands Länsförsäkringsbolag.

## **TOMMY PERSSON**, born 1948

Managing Director and CEO, Länsförsäkringar Wasa

Other board memberships: Graphium AB, Lindex AB, Gjensidige NOR Spareforsikring A/S, FAO, Swedish Insurance Federation, Eureka B.V.

## **JOHAN SVEDBERG**, born 1948

Managing Director, Länsförsäkringar Jönköping

Other board memberships: Jönköping County Chamber of Commerce, Förvaltningsbolaget A6, Jönköping, KABE, Tenhult, Styrelseakademien Jönköping, Länsförsäkringar Wasa Liv.

## **CAROLINE TRAPP**, born 1949

Farmer

Other board memberships: Third Deputy Chairman Federation of Swedish Farmers, Nordiska Muséets Nämnd, Swedish Association of Masters in Forestry.

## **LARS BROLIN**, born 1944

Board Secretary

Head of Legal Affairs, Länsförsäkringar Wasa.

## EMPLOYEE REPRESENTATIVES

### **CARL JOHAN GEZELIUS**, born 1948

Union of Insurance Employees branch at Länsförsäkringar Wasa

Other board memberships: FTF, FPK, and Länsförsäkringar Wasa subsidiaries.

### **CHRISTER EKEHOV**, born 1953

Swedish Confederation of Professional Associations at Länsförsäkringar Wasa

Insurance lawyer

Other board memberships: Länsförsäkringar Wasa Liv, Länsförsäkringar Wasa Fondliv (Unit Linked).

### **SVEN-ERIK MARTINELL**, born 1943

Regional insurance companies' staff association

District manager

Other board memberships: Länsförsäkringar Bank.

### **INGRID GUTEMYR**, born 1942

Union of Insurance Employees branch at Länsförsäkringar Wasa

FTF union branch at Länsförsäkringar Wasa.

## BOARD OF DIRECTORS OF LÄNSFÖRSÄKRINGAR WASA

Representatives of all the companies in the LF Insurance Group are convened once a year to a General Meeting to elect the Board of the jointly owned company, Länsförsäkringar Wasa.

In accordance with the Articles of Association, the Board shall consist of not more than 12 members, and not less than nine. The Board shall include at least one member who represents policyholders. This member is appointed by the Federation of Swedish Farmers (LRF). One member is nominated by the minority owner, Eureka B.V.

Three members are elected by WASA Trust. No owner may vote for more than 9.9% of the shares represented at the Meeting.

## Better times

THE ECONOMIC OUTLOOK HAS IMPROVED CONSIDERABLY DURING THE PAST YEAR. PROSPECTS FOR THE GLOBAL ECONOMY ARE BRIGHTER IN THE INITIAL YEARS OF THE 21ST CENTURY, AS THE AFTER-EFFECTS OF THE ASIAN CRISIS EVAPORATE AND THE FINANCIAL MARKETS REGAIN THEIR CONFIDENCE.

There are still some factors which may disturb future developments. The US economy is demonstrating major cyclical imbalances, recovery in Japan is far from guaranteed, and central banks all over the world will need to apply more stringent monetary policies to counter the inflation that will follow in the wake of an improved economic climate. But there are also opportunities for considerably more favourable developments. The strength of the “new economy” may result in a very strong business upturn, combined with low inflation.

### LOW INFLATION

Holding inflation and inflationary expectations in check is the key to satisfactory prospects for the global economy during the next few years. Low inflation should be regarded as a sign that the global economy is functioning better than it has done for some time, although it is not necessarily conducive to greater economic welfare, per se.

Increased globalization, rapid technical development and the deregulation of a number of markets – particularly in the financial sector – provide examples of the improved functioning of the economy during the past decade. The effects will also be seen in the future. In addition, economic policy has been revised in many parts of the world, with a greater focus on stability, and this will contribute to a favourable economic climate in the next few years.

#### BETTER TIMES

#### FINANCIAL MANAGEMENT

#### MARKET COMMENT

- Interest rates
- Equities
- Currencies
- Real estate

#### PAGE

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22-23

## OUTLOOK FOR THE NEXT FEW YEARS

There has been a gradual upturn in the global economy during the past year, and key indicators such as raw material prices, interest rates and industrial and consumer indexes all point to further improvement in the next few years. There are considerable differences in the phase in the business cycle in different parts of the world, however. While Europe and large parts of Asia are in the early stages of a new upturn, the American has been booming virtually throughout the entire 1990s.

The rate of growth in the US is expected to be more subdued during the next few years, however, simply because the supply of labour is no longer sufficient to support an annual growth rate of around 4% to which the US economy has become accustomed in recent years. Since domestic demand is continuing to grow strongly, supported by major gains on the stock market in recent years, the Federal Reserve will probably decide to apply a tighter monetary policy during the first six months of 2000 in order to reduce the growth rate to about 3%.

Fiscal policy incentives, in combination with a recovery in the rest of Asia, strengthened the Japanese economy last year. The recovery of the Japanese economy is by no means guaranteed, however. Domestic demand is still too weak, and many of the structural problems which Japan has been struggling with during the 1990s remain unsolved. The economic situation in Japan will probably not improve significantly for some years.

Europe, on the other hand, is in the early stages of a new upturn in the economy. Last year, overall growth in Europe was inhibited by a sluggish trend in both Germany and Italy, although several other European economies enjoyed strong growth. The expansive monetary policy applied in recent years, in combination with a weak euro, should ensure that the upturn in the business cycle which commenced in the summer of 1999 becomes increasingly strong in the next two years. An improvement in the business cycle is accompanied by a greater risk of higher inflation, and the European Central Bank (ECB) will probably continue to raise the key interest rate during 2000 to keep inflation in check.

The Swedish economy is currently stronger than in continental Europe, and is expected to grow by almost 4% a year over the next few years. Satisfactory increases in real wages and strong growth of employment, increasing household wealth, and a more relaxed fiscal policy are all factors which will encourage future private consumption. Although Swedish inflation is low, as in other European countries, a continued strong improvement in the Swedish economy will lead the Swedish central bank (Riksbanken) to raise the base rate.

## Financial management

Familiarity with the risks involved in balance sheet entries under the liability and asset headings, and information concerning the flow and matching of income and expenditure in insurance operations are required if soundly based and well-balanced decisions are to be taken regarding the allocation of assets in an insurance company. It is equally important to understand the potential covariation of these risks over time. Asset Liability Management (ALM) focuses on the identification of these risks, and on finding an appropriate compromise for the allocation of resources which maximizes the yield for the desired level of risk – taking into account the legal and other restrictions on the choice of investment assets.

Examples of future risk factors include the level of interest and the business cycle, major fluctuations in capital return (volatility), and the market trend for insurance products. Similarly, restrictions may involve legislation regarding investment assets, debt coverage rules, the solvency margin required, and the company's risk preference.

Taking ALM aspects into account is an obvious feature of an insurance company's day-to-day operations, since efficient management of the company's assets calls for a sound knowledge and understanding of the liabilities heading in the balance sheet. This is crucial, since the selection of the asset mix is the primary factor which determines the yield, net asset value, bonuses and the volatility/risk with regard to assets, the solvency level and bonuses.

The selection of the asset mix – the strategic portfolio allocation – is a key decision for the Board of the company concerned, since studies indicate that the major proportion (up to 95%) of the variation in the earnings on a portfolio may be attributed to the mix between various types of assets. As a result, the selection of assets and markets has a crucial impact on the business operations of an insurance company.

The ability to take various types of risk varies from one company to another, and therefore this also applies to the ability to achieve a high yield. As a result, the restrictions vary considerably, and hence the investment income targets also differ. In other words, the prerequisites for the management process depend on who is the principal – who owns the capital.

In the LF Insurance Group, the regional insurance company concerned and Länsförsäkringar Wasa both have financial management responsibilities. At the overall level, financial management involves calculation of the desired long-term allocation of assets, based on the prerequisites for Länsförsäkringar Wasa's various life and non-life in-





insurance operations. The overall conclusion is that, in the long term, equities provide a better risk-adjusted return than bonds.

As a result, the equity proportion is normally maximized in the strategic asset allocation process, taking into account the Board's risk propensity and the restrictions determined by the supervisory authorities in the form of debt coverage, etc. The long-term allocation of assets is only modified at very infrequent intervals, unless there is a dramatic change in the prerequisites as regards market and legal restrictions.

In the case of the LF Insurance Group's life insurance company, the current long-term asset allocation is 44% equities, 7% properties and the remainder in interest-bearing securities. Investment is made in both Swedish and foreign assets. In the case of non-life insurance, the equities proportion is normally 25%, and the remainder is primarily invested in interest-bearing assets.

## Markets in 1999

### INTEREST RATES

The bond markets were very shaky in 1999, both in Sweden and elsewhere. The decline in long-term interest rates which has continued for several years was reversed, and interest rates started to rise, due to expectations of a broad upturn in the global business cycle. The global economy recovered relatively quickly after the Asian crisis. The central banks in the US and the EU area, including Sweden, raised their key interest rates in the second half of the year, reversing the previous reductions made to reduce the impact of the Asian crisis.

Overall, the interest rate on Swedish 10-year government bonds increased by about 1.5 percentage points, while the interest rate on two-year securities increased by more than one percentage point. The interest-rate differential between housing bonds and government bonds fluctuated considerably during the year, although there was some overall reduction.

### EQUITIES

There has been no shortage of pessimists during the past year. Many people thought that higher interest rates, high share price valuations and the impending critical millennium shift would lead to stock market falls. Instead, there was a substantial boom. Growth opportunities in the technology and communications sectors have resulted in substantial buyer interest, and everyone is aware that the value of Internet shares may rise rapidly.

The strong stock exchange trend during the 1990s may be largely explained in terms of the decline in interest rates. As a result, a weak stock market trend might have been anticipated in a year in which interest rates were rising. Instead, 1999 was a very strong year on the stock market, since improved prerequisites for the global economy also led to higher expectations with regard to future profits, and many companies reported a strong earnings trend.

Improved business prospects strengthened cyclically sensitive shares and industries considerably in the first half of the year. Industries which benefit from higher raw material prices and increased industrial production were the winners. There were substantial improvements for forest products and steel companies, for example, and in growth markets which are heavily dependent on the production of raw materials. This resulted in a strong overall trend for shares. During the summer, however, there was some uncertainty and many stock exchanges reacted negatively. This was a temporary phenomenon, despite a widespread fear of a more pessimistic scenario during the autumn. Unexpectedly positive reports by many companies and renewed interest in growth companies put the stock markets on track again. The historically weak stock exchange markets in October and November developed into a substantial upturn. Fears were rapidly dispersed, to be replaced by a search for shares with high long-term growth prospects, which made companies in the technology and communications sectors winners – particularly Internet companies.

The return on investments in Japanese shares was high during the year due to the significant rise which occurred on the Tokyo stock ex-



change, coupled with a strengthening of the yen in relation to other currencies. If the currency effect is ignored, however, the return would have been equally satisfactory on the Stockholm stock exchange, which is once again one of the strongest in the world. Ericsson plays a dominant role on the Stockholm exchange, and the recovery of the Ericsson share largely accounts for the bull market in the autumn. Several Asian markets, and other growth markets were winners in 1999, if the currency effect is discounted. Investments in European shares have been dogged by the relatively weak trend for the euro.

#### CURRENCIES

At the beginning of the year, it appeared that the euro would attract considerable attention and would prove to be a success, partly because it was a new currency and partly because the dollar had been appreciating for several years. In retrospect, it may be noted that developments moved in exactly the opposite direction, for both political and economic reasons. The weaker euro is not specifically due to the complex situation in the EU area. It is also due to a substantial flow of direct investment from Europe to the US.

Confidence in Japan recovered in 1999. The stock exchange rose by nearly 40%. Investors who did not have the yen as their basic currency also benefited from a stronger Japanese currency. During the preceding year, the yen generated a yield of more than 22% against the euro and approximately 9% against the dollar. The Japanese government took a number of steps to boost consumption, resulting in substantial deterioration in the national budget, but investors nonetheless increased their equity investments in Japan from the previous extremely low level.

#### REAL ESTATE

The property market continued to be attractive during 1999. As in the preceding year, structural transactions dominated the market, although the proportion of specific transactions increased. The main structural transactions included HSB's divestment of practically all its

rented properties in Sweden to Drott, Fastighets AB Balder's acquisition of the Prifast listed property company, and JM's sales of its properties in southern and central Sweden to Kungsleden. In addition, Sweden Post sold 15 postal terminals to a consortium consisting of Deutsche Bank, SPP and Öhman's Fastighetsfond. Länsfastigheter's contribution in the structural context was the acquisition of the Humlegården property company.

The sale of municipal housing companies continued during the year, despite attempts by central government to apply the brakes. The Vaxholm municipality sold its Vaxholmsbostäder housing company to Tornet, for example.

Structural transactions are expected to continue in the early years of the 21st century, since there are too many small companies with similar business concepts.

Commercial properties are currently being sold with yields of 5.0-5.5% in prime locations in central Stockholm. This is the same level as in 1998, but market values have risen by 10-15% for commercial properties in the three major urban areas in Sweden, due to the continued favourable rental trend in the past year. The peak rent for office floor space in Stockholm is currently more than SEK 4,000/m<sup>2</sup>, compared with approximately SEK 3,200/m<sup>2</sup> at the end of 1998. The wave of vacancies which many people prophesied in 1999 has not happened.

Instead, the upturn in the economy and low interest rates have resulted in additional growth and, as a result, greater demand for premises. There is nothing to indicate that the demand for satisfactory premises in prime locations will decline. This should mean that rents will continue to rise during the next 1-2 years.

Housing properties are almost exclusively sold to tenant-owner associations, since they are prepared to pay approximately 30-50% more than other players. Prices have continued to rise, and transactions are normally conducted in the SEK 12,000-18,000/m<sup>2</sup> range in Stockholm.

# Non-life insurance

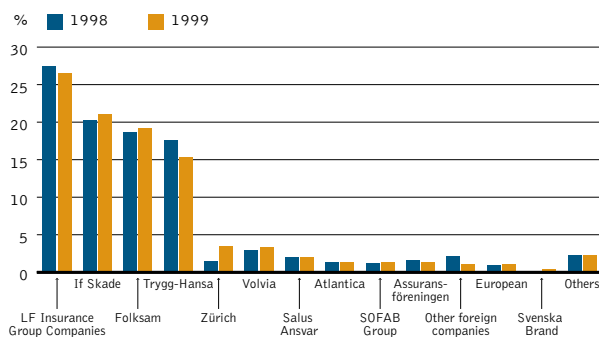
LÄNSFÖRSÄKRINGAR IS MAINTAINING ITS LEADING POSITION IN THE NON-LIFE SECTOR, DESPITE MAJOR CHANGES IN THE SWEDISH NON-LIFE MARKET AND CONTINUED PRESSURE ON PRICES.

## The Swedish non-life insurance market

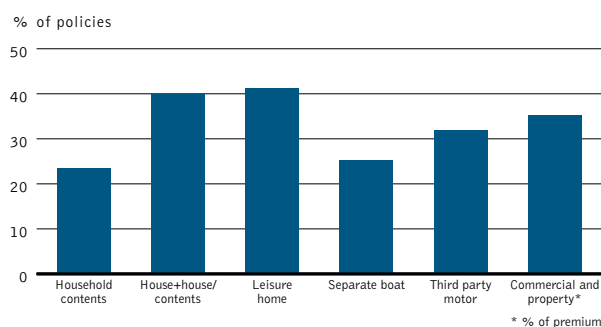
### MAJOR EVENTS DURING 1999

- Considerable effort was devoted to the merger with Wasa. During the year, Wasa's customers received an offer to transfer their policies to Länsförsäkringar. Almost 90% of private customers accepted.
- Länsförsäkringar decided not to make any exceptions for private policyholders for claims resulting from date errors in connection with the Year 2000.
- Continued close cooperation with the Federation of Swedish Farmers (LRF) resulted in a "Safe Person" personal insurance concept which is tailor-made for farmers, and offered to LRF members.
- The severe storms experienced in November/December will probably cost Länsförsäkringar at least SEK 400 M, of which SEK 35 M represents damage to forests and the remainder claims on farm buildings and housing. The storms will not result in higher premiums since Länsförsäkringar takes such risks into account when setting premiums.
- New market strategies have been developed for the private, commercial and agricultural markets.
- More than one million cars are insured with Länsförsäkringar.

## SWEDISH DIRECT INSURANCE, MARKET SHARE OF PREMIUMS EARNED IN 1998 AND 1999



## LÄNSFÖRSÄKRINGARS MARKET SHARES PER PRODUCT AREA, NUMBER OF POLICIES



There were significant changes in the ownership structure of the major Swedish insurance companies in 1999. New competitors with Nordic ownership have emerged, and cross-border cooperation has been established in the Nordic region. Foreign insurance companies are showing increased interest in the Swedish non-life market, and there is growing competition as a result. Competition and pressure on prices continue to be very keen, due to healthy investment income, combined with efforts by new participants to enter the market. This applies particularly to motor insurance. Access to international reinsurance with very low premium levels has also resulted in severe competition in the industrial insurance market.

Nowadays, policyholders require more customized products, with a greater degree of personal advice provided by the insurance company. This favours Länsförsäkringar, with its proximity to customers and its local roots. The company's portfolios increased in all product areas during 1999, despite intensive market competition and the merger process.

Customers are less resistant to the Internet as a distribution and sales medium, and there is growing interest in this marketing channel. More than half the Swedish population between the ages of 12 and 79 now uses the Internet in one way or another. New Internet players are establishing operations in the insurance market as brokers, agents or advisers. As a result, Länsförsäkringar is developing applications de-

signed for Internet channels which will improve services for non-life customers next year.

Länsförsäkringar continues to be the market leader in non-life insurance. The reduced premium-payments market share reported for the year was primarily due to the fact that some commercial business previously provided by Wasa does not comply with Länsförsäkringar's risk policy, and has therefore been phased out. In addition, the Group increased premiums less than most competitors.

The 24 regional insurance companies are responsible for customer relations and, in addition to sales and claims adjustment, also provide damage prevention and advisory services. The LF Insurance Group has the most satisfied customers in Sweden.

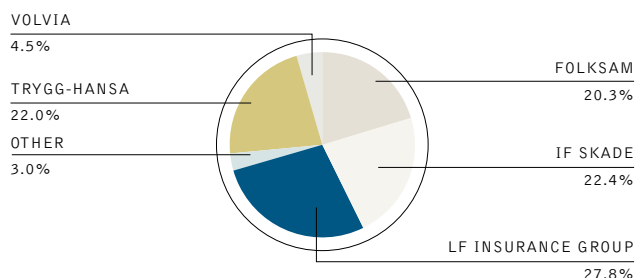
### THIRD-PARTY AND OTHER MOTOR INSURANCE

Sales of new cars increased for the sixth year in a row in Sweden. New registrations were 16% higher than in the preceding year.

Motor cycle sales increased by 26% during the year, which means that sales were more than twice as high as in 1996.

Länsförsäkringar insured one million cars at the end of the year, which attracted considerable attention in the Swedish motor industry in view of the severe competition in this sector. Overall, Länsförsäkringar insured 13,410 additional vehicles during the year, although this represented a slight decrease in market share from 27.0% to 26.7% in terms of the number of cars insured.

### THIRD-PARTY MOTOR INSURANCE MARKET SHARES PREMIUMS PAID, 1999



Third-party insurance has profitability problems, due to the increase in personal accident costs for both new and previous claims. Premiums were increased on two occasions during 1999.

The effects of deregulation in the third-party sector continue to be reflected in the increasing differences in the tariffs charged by the various companies. The exchange of information between companies regarding no-claims bonuses has now ceased. A completely new tariff system has now been prepared, with major changes to enable premiums to reflect the risk posed by a given customer category for policy holders as a whole.

The "Bilsport & MC" concept was introduced in early 1999 to provide insurance solutions for motoring enthusiasts, with a number of special products for motorcyclists. This is a further development of previous successful products designed for this target group.

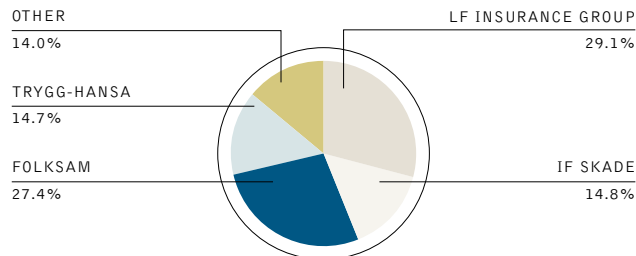
Reports on car mechanical failures are issued on a regular basis, with the aim of reducing breakdown claims. These reports are of immediate interest to consumers, and have attracted considerable attention in the motor industry. An "Inspected Repairshop" concept is being developed for quality guarantees for bodywork and paint repairs, in cooperation with the Swedish Consumer Agency, the Swedish Automobile Association and the Swedish Motor Vehicle Inspection Company.

In the personal accident area, Länsförsäkringar is monitoring the work of two government committees on working life rehabilitation and the coordination of personal accident claims, insurance and other forms of compensation.

### HOUSEHOLD AND BOAT INSURANCE

During 1999, Länsförsäkringar's household and boat insurance portfolio increased. In the case of household contents insurance, the Group has recovered from the reduction in its portfolio due to Folksam's collective cover for trade union members. The market share in terms of the percentage of households living in apartments and private

### HOUSE AND CONTENTS INSURANCE MARKET SHARES PREMIUMS PAID, 1999



houses amounted to 27.3% (27.1) for contents insurance, and 41.1% (40.8) for combined house/contents policies. Länsförsäkringar insured 31.5% of all Swedish households.

There was a focus on the Y2K issue during the greater part of 1999. Länsförsäkringar received considerable positive attention in the media since it made no exceptions for claims by private policyholders due to date errors. This policy was also appreciated by customers.

A new addition was made to household insurance policies, under which Länsförsäkringar can now offer customers travel cancellation cover.

The major storm in early December obviously also had an impact on the household insurance sector, particularly in the case of houses and leisure homes in Skåne, in southern Sweden.

Increasing competition on the Internet may be anticipated, and Länsförsäkringar has intensified its efforts in this context, for example by issuing online quotations on the Internet. There are likely to be further initiatives in this expansive area, and new functions will be launched in the coming year.

No. of policies*	31 December 1999	31 December 1998
Household contents	646,605	635,875
House + House/contents	638,224	630,044
Leisure home	242,276	241,818
Boat	55,613	54,218

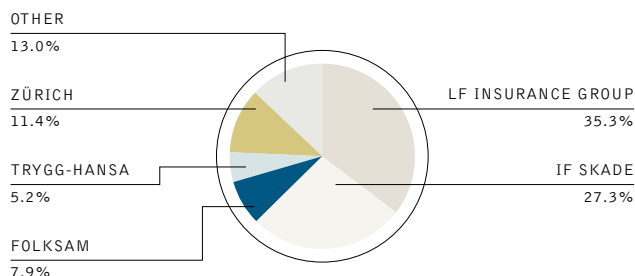
\* Including Lita

### AGRICULTURE

Länsförsäkringar is maintaining its strong position in the agricultural market, with a market share of approximately 85%. There was an increase of 3,300 in the number of agricultural policies to a total of 183,000, and an increase of 1,000 in agricultural motor policies – mostly tractors – to 235,000. The Länsförsäkringar market share for farm vehicles is 69%.



## MARKET SHARES ON COMMERCIAL AND REAL-ESTATE INSURANCE PREMIUMS PAID, 1999



Weather conditions for farmers in 1999 have varied from an extremely dry summer in eastern Sweden to waterlogged fields in the west, with satisfactory harvesting weather in the autumn, followed by a dramatic finale at the end of the year with three storms within a fortnight in southern Sweden.

The proportion of claims for 1999 was stable at 65%, apart from the storm damage in November. Fire damage is the most expensive type of claim, but preventive initiatives have resulted in reduced damage to farm buildings, in contrast with housing accommodation where there was also an increase in water-damage claims.

## COMMERCIAL AND INDUSTRIAL

The merger between Länsförsäkringar and Wasa also dominated operations in the Corporate and Industrial Insurance sector to a considerable extent in 1999. In contrast with private customer insurance, the merger called for considerable manual tasks in this sector.

The reduced market share in terms of premiums was partly because Länsförsäkringar cancelled a number of group life insurance agreements in connection with the merger with Wasa, and partly due to considerable pressure on prices during the year.

The LF Insurance Group is devoting considerable effort to the growing market. The 24 regional insurance companies, the Group life insurance company and the industrial insurance unit are establishing a joint sales company, Länsförsäkringar Mäklarservice. The aim is to offer brokers a clear approach and improved service both in major urban areas and in other parts of the country.

The LF Insurance Group's initiative in the insurance-broker market is based on the anticipated expansion of brokers' sales in the next few years and the fact that the current organizational structure and service to this market do not correspond to the Group's leadership position in the Swedish insurance market.



Länsförsäkringar Mäklarservice will be based in Stockholm, with three regional broker service counters located at the regional companies in Gothenburg, Malmö and Stockholm. Operations are expected to commence in the third quarter of 2000.

## REINSURANCE

Joint reinsurance operations are a key feature of cooperation within the LF Insurance Group. A high proportion of premiums can be retained within the Group if the risk of major claims is shared between the regional insurance companies and Länsförsäkringar Wasa, which is jointly owned, thus minimizing dependence on reinsurance in the international market. This has been an important factor in the LF Insurance Group's profitability during the year.

As a result of the external reinsurance programme, the Group's net exposure to claims is limited to less than 1% of net asset value.

Reinsurance originating in the international market has been under written since 1993. This mainly consists of European property insurance business, and the volume of premiums currently amounts to approximately SEK 300 M.

## RESULTS AND KEY RATIOS

The LF Insurance Group's results and key ratios are the sum of the results achieved by the 24 independent regional insurance companies and Länsförsäkringar Wasa, including Lita.

	1999	1998
Premiums earned net of reinsurance, SEK M	8,744	7,743
Result before appropriations and tax, SEK M	5,730	2,320
Combined ratio, %	111	118
Claims ratio, %	86	91
Operating expense ratio, %	25	27
Net asset value, SEK M	22,798	17,656
Solvency margin, %	262	224



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## Expanding savings market

**T**he savings market comprises short, medium and long-term savings, irrespective of the form involved. The savings market has changed dramatically in recent years, for several reasons.

### THE NEW PUBLIC PENSION SYSTEM

In the new public pension system approved by the Swedish Parliament in 1998, old-age pensions and the National Supplementary Pensions Scheme (ATP) will be gradually replaced. The new system does not guarantee specific pension levels, and this means that many people feel a greater need for supplementary individual pension saving schemes. In the spring of 1999, the Premium Pension Authority (PPM) posted an orange envelope to all Swedish households, giving many people reason to wonder whether their future pension entitlement would be sufficient.

There have been changes in compensation levels and rules in the public social welfare system on several occasions, involving health insurance, survivors' pensions and old-age pensions. One important factor which affects savings propensity is concern about the possibility of unemployment. Sweden's relatively weak economic development at an earlier stage in the 20th century has not been forgotten.

### AGE STRUCTURE

The age structure affects saving, since a growing proportion of the Swedish population are elderly or middle-aged, and are likely to have already made their major investments in the form of housing, leisure

homes, cars or boats. As a result, any surplus funds are frequently invested in shares, mutual funds or insurance. This is confirmed by the statistics, which indicate that more than half the financial assets (excluding real estate properties) are owned by private individuals over the age of 55.

### INTERNATIONAL TRENDS

The savings market is beginning to be affected by the impact of international trends, mainly in the form of new products, new distribution channels and the Internet. Unit-linked insurance was established in Sweden in the early 1990s, and now represents more than half the flow of new capital into the mutual fund market. Another trend, that will probably be accentuated, is that savers are no longer exclusively private individuals. Small and medium-sized companies (occupational pensions) and institutions (discretionary assignments) account for the lion's share of the substantial increase in business.

### NEW MARKETS

There is marked expansion of the new market, in which individual employees personally select the way in which a proportion of their pension savings are to be managed. Approximately SEK 30-35 billion will be invested annually in different forms of life and unit-linked insurance, and in "free" mutual funds with no insurance component. All employees are covered by a labour market agreement (private sector workers and staff employees, municipal and county employees) and must select a pension manager. The premium pension selection proc-



ess will be inaugurated in the autumn when 4.3 million Swedes between the ages of 16 and 61 choose a premium pension mutual fund manager. This will mean that there will be a further increase in the record figure of 60% of the population who invest in securities.

The traditional customer-supplier relationship is changing. New players are emerging and taking on new roles, as intermediaries, communicators, advisers and administrators. Insurance brokers already account for a very high proportion of the sales success of the insurance and mutual fund companies. The Internet has also made it possible for new players such as yahaya.com, fondex.se and fondmarknaden.se to enter the market.

The underlying motives for increased savings are the result of changes in the public pension system, growing income risks and Sweden's demographic trend.

#### FORMS OF SAVING

In terms of products, there have clearly been considerable changes over the years – with mutual funds in one form or another as the winner. Government savings schemes (savings bonds and premium bonds) have become less important and, since borrowing requirements have diminished, few new savings concepts have been launched. In principle, the volume of bank deposits has remained unchanged. On the other hand, approximately SEK 200 billion has been invested in mutual funds in the past five years, both in the form of direct saving and in unit-linked insurance. A high proportion of these funds have been transferred from bank accounts, largely due to

the low nominal interest rate. New savings have also begun to reach substantial levels, however, although the Swedish public has considerable ground to catch up in this respect compared with Japan and Germany, for example.

Healthy yields, flexible, customer-oriented terms and a favourable tax position have once again made endowment insurance a popular form of investment. Inheritance planning and direct pensions have helped to boost sales.

Approximately 800,000 private individuals save via the individual pension savings system (IPS). As a result, the insurance companies have lost much of their previous lead in this segment, and therefore they have deliberately focused on sections of the corporate market. The prerequisites for growth in the Swedish savings market may be said to be highly satisfactory.

#### THE LF INSURANCE GROUP – A MAJOR PLAYER IN THE SAVINGS MARKET

The LF Insurance Group is in third place after Skandia and SEB/Trygg in the life and unit-linked insurance market in terms of premium income. The Group also has the fifth largest mutual fund company in terms of the asset value managed. Länsförsäkringar focuses on both private individuals and companies in selected customer segments in which the Group can provide customer benefit.



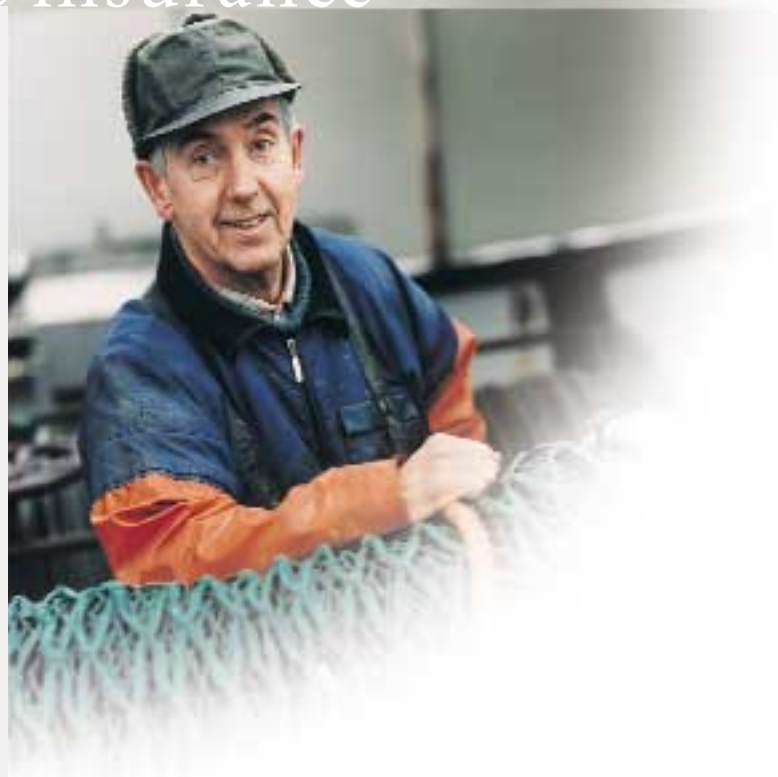
# Life and pension insurance

TRADITIONAL LIFE INSURANCE OPERATIONS IMPROVED ON THE EXCELLENT RESULTS FOR 1998, ACHIEVING TOTAL INCOME OF SEK 11,426 M (10,281), LARGELY DUE TO A SUCCESSFUL FINAL SPURT. NET PREMIUM INCOME FOR LIFE AND UNIT-LINKED INSURANCE INCREASED BY 24% AND AMOUNTED TO SEK 7,633 M (6,133), WHICH IS IN LINE WITH MARKET GROWTH. THE STRONG SHIFT FROM ANNUAL TO ONE-OFF PREMIUMS LED TO SOME REDUCTION IN MARKET SHARE, HOWEVER.

## Major focus on life insurance

### MAJOR EVENTS DURING 1999

- On 1 July, the two unit-linked insurance companies, Länsförsäkringar Fondliv and Wasa Fondförsäkring merged to form Länsförsäkringar Wasa Fondliv.
- On 15 September the first joint product – “Reflex Saving Insurance” – was launched following the merger between Länsförsäkringar and Wasa. Reflex Saving Insurance is an endowment policy, permitting a choice between three alternative forms of management.
- The traditional life insurance company, Länsförsäkringar Wasa Liv, acquired the Länsförsäkringar Wasa Fondliv company from Länsförsäkringar Wasa on 31 December.
- New market strategies have been developed for the private, commercial and agricultural markets.



The life insurance companies' market has grown substantially in the past decade, although new competitors have entered the market. This market is now expanding further as a result of the new pension markets emerging in the wake of the new premium pension system and the deregulation of occupational pensions.

## PRODUCTS

The product range is primarily distributed via three different sales channels: franchised distributors, brokers and the company's own sales staff. Life insurance and savings products are mainly sold to small and medium-sized companies, small businessmen and private persons with funds to invest. The products distributed by personal selling are "Reflex Pension Insurance", "Reflex Saving Insurance", "Occupational Pensions Plan", "Life Protection" and health insurance. Länsförsäkringar also provides group insurance and products in the Health and Welfare area, and also special products for the growing occupational market.

## REFLEX SAVING INSURANCE

Reflex Saving Insurance is an endowment policy which permits policyholders to choose between three alternative forms of management: Traditional, New World and Unit-linked. The Reflex name – which is already well-established – symbolizes flexibility, which is exactly that this new form of savings-insurance offers. It is also the only product on the market which offers New World management. Länsförsäkringar achieved a breakthrough in the expanding endowment insurance market when Reflex Saving Insurance was launched.

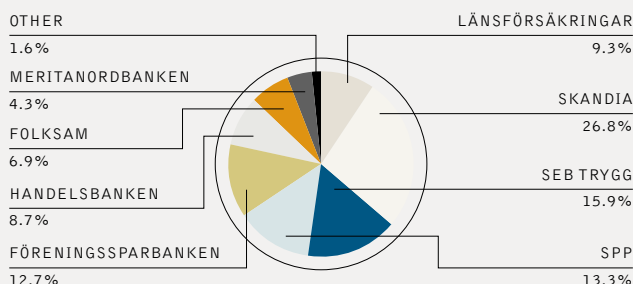
Reflex Saving Insurance has been very well received by the company's own sales force, and also by brokers. Reflex Saving Insurance achieved sales of SEK 1.7 billion in little more than 3 months in the autumn of 1999, in terms of sales value.

## SALES AND MARKET SHARES

The total life insurance market is continuing to expand dramatically, with a 27% increase in sales value in the past 12 months. In common with the market as a whole, Länsförsäkringar increased its total sales in terms of sales value, achieving an increase of almost 19% compared with the preceding year. But the market share declined, since the overall life insurance and savings market expanded even faster.

Länsförsäkringar had a market share of 9.3% in the past 12-month period, which represents a decline of 0.6 percentage points from year-end 1998. One of the major reasons for the lower market share in 1999 was the difficulty the LF Insurance Group experienced in recruiting sufficient sales personnel to meet increased market demand. This is one of the key areas which will be in focus in 2000.

## LIFE AND PENSION INSURANCE MARKET SHARES, NEW SALES



Compared with its competitors, Länsförsäkringar experienced a greater shift from policies with annual premiums to policies with single premiums. Länsförsäkringar's sales of policies based on single premiums increased by 101%, compared with the industry average of 55%, and policies with annual premiums increased by 8%, compared with an average figure of 18%.

Endowment insurance currently represents approximately 50% of the total market. Occupational pension solutions are the next largest submarket, at roughly 40%. Private pension saving constitutes about 10% of the total life insurance market. The Swedish Insurance Federation's measures sales in terms of "sales value", which is defined as total one-off premiums, plus annual premiums multiplied by 10.

## COMMERCIAL MARKET

The image of the typical businessman is changing. Many small companies need training programmes and information concerning insurance issues. This presents new opportunities and challenges. An increasing number of companies are managed by women, and 20% of newly-launched companies in 1999 were owned by first or second generation immigrants.

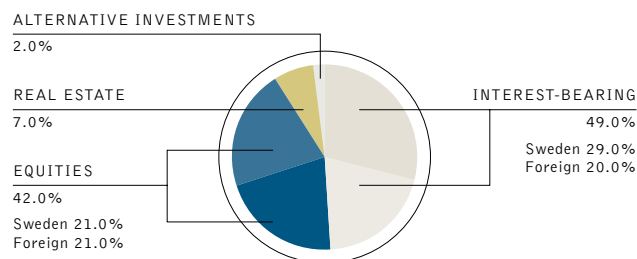
Occupational pension policies are the main product in the commercial market, although the range also includes endowment insurance for "partner insurance" and direct pensions for savings purposes.

The occupational pension insurance market is growing. The main demand comes from small and medium-sized companies, which often have neither health insurance nor occupational pension schemes. In terms of products, the market predominantly involves "occupational pension schemes", which give both owners/managers and employees full insurance coverage.

There is also growing interest on the part of larger companies in individual solutions. For many employees, the form of pension benefit is just as important as the salary level.



## NORMAL PORTFOLIO, TRADITIONAL MANAGEMENT



The 24 regional insurance companies, the Group life insurance company and the industrial insurance unit are establishing Länsförsäkringar Mäklarservice, a joint sales company for brokers. The aim is to improve business and increase sales by simplifying brokers' contacts with Länsförsäkringar, offering a more succinct approach and improved service coverage.

## PRIVATE MARKET

The private market is becoming increasingly diversified and every segment requires unique market development and unique products. During 1999, the LF Insurance Group devoted increased effort to achieving this objective, for example by launching Reflex Saving Insurance.

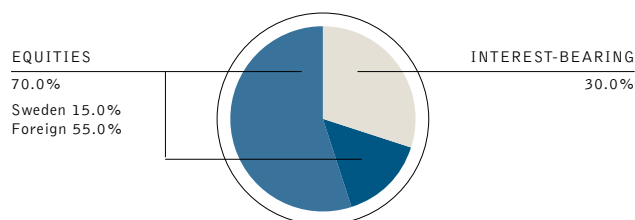
Products for the private market mainly consist of endowment insurance, pension insurance and individual or group health insurance and life cover.

## MANAGEMENT FORMS

The LF Insurance Group offers three forms of management for pension insurance and saving: traditional management, unit-linked management and New World management.

Traditional management provides a guaranteed annual yield, which is currently 3% of the capital saved. Management is undertaken by the life insurance company, which is also responsible for the risk involved in the guaranteed yield. Investments are primarily in bonds and shares, with a minor proportion in real estate. When the yield on the capital managed exceeds the guaranteed amount, the surplus is shared by policyholders in the form of a bonus.

## NORMAL PORTFOLIO, NEW WORLD



In unit-linked management, the customers themselves select the investment focus and the level of risk, and they choose between mutual funds and fixed-income funds. This type of management provides opportunities for a high yield, and the substantial increase in global stock market prices in recent years has resulted in growing interest in this form of management. The customer takes a risk, however, if the value of the fund drops.

New World is a mixed portfolio comprising 70% equities and 30% interest-bearing assets. The portfolio consists exclusively of holdings in Länsförsäkringar Wasa Fonder. The pre-determined allocation of assets in the portfolio is 30% in the Bond Fund, 20% in the North America Fund, 15% in the Sweden Fund, 15% in the Europe Fund, 10% in the Japan Fund and 10% in the Asia Fund. There is no active reallocation between these sub-portfolios. New World combines the high-yield opportunities of unit-linked insurance with a basic guaranteed return, ensuring that the customer always has a guaranteed savings premium (less the customary management charges), even if there is a decline in the financial markets.

## SOLVENCY POLICY AND BONUS INTEREST

At year-end 1999, Länsförsäkringar's solvency level amounted to 126.2%, and the bonus interest rate was 10.0% before tax and after general expenses. Bonus interest is determined by the solvency policy. All investment income is the property of policyholders and bonus interest is a means of distributing this income to customers.

There are a number of reasons why there should always be a net asset value in a life insurance company. Unless there is a specific buffer capital, negative market trends, such as a downturn in the stock market

FIVE LARGEST HOLDINGS AT 31 DECEMBER 1999 IN THE TRADITIONAL LIFE INSURANCE COMPANY, SWEDISH EQUITIES

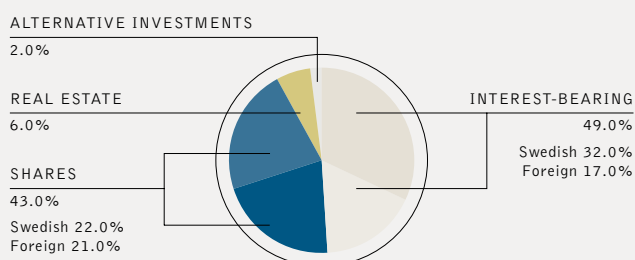
Company	Holding, SEK M	% of Swedish shares
Ericsson LM, Series B	6,413	27.4
Hennes & Mauritz, Series B	1,552	6.6
AstraZeneca (SDB)	1,028	4.4
Skandia	908	3.9
Nokia (SDB), Series A	890	3.8

FIVE LARGEST HOLDINGS AT 31 DECEMBER 1999 IN THE TRADITIONAL LIFE INSURANCE COMPANY, FOREIGN EQUITIES

Company	Holding, SEK M	% of foreign shares
General Electric Co	710	3.0
Microsoft Corp	610	2.6
Cisco Systems	503	2.1
Wal Mart Stores Inc	431	1.8
Intel Corp	360	1.5



CURRENT INVESTMENT MIX, TRADITIONAL MANAGEMENT



# INVESTMENT INCOME IN 1999 FOR THE LIFE INSURANCE COMPANY\*

Weighted investment base, December

Amounts in SEK M

Investments	Market value 31 Dec. 1998	%	Net- investment	Change in value	%	Market value 31 Dec. 1999	%	Direct yield	%	Total yield	%
Interest-bearing	43,500	50	9,495	-4,182	-9	48,813	48	2,747	5.9	-1,435	-3.1
Direct borrowing	33	0	-3	0	0	30	0	2	6	2	6
Swedish shares	18,424	21	-5,123	10,152	60.4	23,453	23	334	2	10,486	62.4
Foreign shares	19,299	22	-1,473	5,254	30.3	23,080	23	126	0.8	5,380	31.1
Real estate	5,750	7	281	699	12.2	6,730	6	241	4.2	940	16.4
Financing of investments	-172	0	50	0	0	-122	0	-9	-6.1	-9	-6.1
<b>Total</b>	<b>86,834</b>	<b>100</b>	<b>3,227</b>	<b>11,923</b>	<b>13.7</b>	<b>101,984</b>	<b>100</b>	<b>3,441</b>	<b>4</b>	<b>15,364</b>	<b>17.7</b>
Other	1,567		-761	57		863		-275		-218	
<b>TOTAL</b>	<b>88,401</b>		<b>2,466</b>	<b>11,980</b>	<b>13.6</b>	<b>102,847</b>		<b>3,166</b>	<b>3.6</b>	<b>15,146</b>	<b>17.2</b>

\*Including real estate company and New World.

and higher interest rates, would have an immediate impact on the underlying insurance capital, thus making it difficult to meet explicit commitments to policyholders when investment income is low.

The net asset value is also important when market conditions are favourable and investment income is high, since it allows the company to select a higher level of risk in its asset management, for example by having a higher proportion of equities in the portfolio than would have otherwise been the case. This increases the future expected yield and hence the ability to provide a high bonus.

Länsförsäkringar Wasa Liv endeavours to achieve an average solvency level of 116%. In addition to the bonus interest rate selected, the solvency margin is also affected by the current yield, cash flows and day-to-day changes in asset values. Providing the solvency margin is in the 113-120% range, the bonus interest rate normally remains unchanged unless it is considered that solvency will be drop below this level within one year.

At levels of less than 113%, the bonus interest rate is reduced to a level which makes it feasible to restore the solvency level to 116% within one year. At levels of more than 120%, the bonus interest is raised to a level which permits restoration of the solvency level to 116% within two years. Länsförsäkringar's policy of adjusting the solvency level more rapidly in the case of low levels may be regarded as one aspect of its efforts to avoid putting policyholders' capital at risk.

## YIELD

The total yield on investment assets in 1999 amounted to 17.7%. Equities were the primary factor which contributed to this satisfactory yield.

## YIELD ON INVESTMENT ASSETS, FIVE-YEAR COMPARISON

Total yield on investment assets, 1995-1999, %

	1995 <sup>1)</sup>	1996 <sup>1)</sup>	1997 <sup>1)</sup>	1998 <sup>1)</sup>	1999	5-year average
Interest-bearing	19.15	16.89	7.12	13.37	-3.1	10.69
Borrowing	12.89	12.92	3.87	4.96	6.00	8.13
Shares	15.27	36.11	26.88	26.92	46.66	30.37
Real estate	1.29	8.52	8.58	10.13	16.40	8.98
<b>Total</b>	<b>15.46</b>	<b>21.87</b>	<b>14.85</b>	<b>18.50</b>	<b>17.70</b>	<b>17.68</b>

<sup>1)</sup> An average weighting is applied to the yields of the two merged companies (Länsförsäkringar Liv and Wasa Livförsäkring Ömsesidigt) for the years 1995-1998.

The total yield for Swedish listed shares amounted to 72.7%, which is almost 3 percentage points higher than the relevant index. The yield on all types of Swedish equities amounted to 62.4%. This satisfactory yield is largely accounted for by an overweighting in telecom-related companies such as Ericsson, Nokia and Netcom. The shareholding in Ericsson was the single largest holding in the life company's Swedish share portfolio, amounting to 27% at year-end. During the year, the Ericsson share rose by 183%. The yield on the foreign share portfolio amounted to 31.1% including exchange-rate factors. The North American portfolio represented approximately 47% of the foreign portfolio, with a yield of 25%. Companies in the consumer commodities, durable goods and technology sectors were particularly successful during the year. The single largest holding is in General Electric, which represents 6.4% of the North American portfolio. General Electric's share price rose 52% during 1999.

Interest-bearing securities had a negative return of -3.1% in 1999, including exchange-rate factors, although fixed-interest portfolios performed better than the relevant indexes. The negative return was due to higher interest rates on a global scale. The increase in interest rates is primarily due to concern about rising inflation, although the actual figures do not confirm this. The Swedish five-year interest rate rose by 1.7 percentage points during the year. At year-end, the fixed-interest portfolio consisted of 35% foreign bonds, 61% Swedish nominal-interest bonds and 3% Swedish real-interest bonds. The foreign portfolio is dominated by euro bonds.

The yield on real estate amounted to 16.4% during the year, with a change in value of 12.2%. This satisfactory yield was largely due to the improved rental trend during 1999. During the year, Länsförsäkringar Wasa Liv signed an investment partnership agreement with Immobilien- und Baumanagement der Bankgesellschaft Berlin GMBH, a German property Group. The joint company formed will invest a total of SEK 1.3 billion in the extension and renewal of the Kista shopping centre in Stockholm.

New World achieved a yield of 35.6% during 1999. Signs of an unexpectedly rapid economic recovery in Japan and other Asian countries resulted in substantial share price increases in these regions (the Japan Fund rose by 106.7%, the Asia Fund by 62.7%). Swedish shares also provided a highly satisfactory yield, mainly due to strong development in the telecom sector. The Sweden Fund's yield amounted to 62.1% during the year. Rising long-term interest rates in Sweden resulted in a negative yield of -0.8% on the Bond Fund.

## COMMENTS ON RESULTS

Länsförsäkringar Wasa Liv, the traditional life insurance company, acquired Länsförsäkringar Wasa Fondliv from Länsförsäkringar Wasa. The transfer of the unit-linked company coincides with entry into force of new insurance business legislation which allows traditional life insurance and unit-linked insurance to be combined in the same company. This transaction clarifies and reinforces the mutuality principle in offers to customers. In accordance with the mutual principle, the profits in both the unit-linked company and the traditional life insurance company are returned to customers in the traditional life company.

Total net premium income increased by 24% and amounted to SEK 7,633 M (6,133), in line with market growth. The traditional life insurance company's net premium income totalled SEK 4,827 M (3,923). The unit-linked company reported net premium income of SEK 2,806 M (2,210).

Finansinspektionen (the Swedish Financial Supervisory Authority) required life insurance companies to apply a reduced basic rate of

interest as from 1 July 1999. As a result, an estimated basic rate of 4% was applied for the life insurance provision in the traditional life company for the first six months of 1999, while the basic rate for the July-December period was 3%. This change resulted in an increased reserve requirement, leading to a charge against income of SEK 800 M for the year.

The yield on investment assets in traditional life insurance amounted to 17.7% (18.5). The average yield during the past five years was 17.7%. The solvency level was 126.2% (121.5).

Income for the year in life insurance operations (traditional life and unit linked) was SEK 11,304 M (10,196). Income increased by 11% compared with the preceding year, largely due to a substantial improvement in investment income during the least few months of the year.

There is risk of losses in unit-linked companies as volume increases, due to the very long-term nature of life insurance business. It is not uncommon for life insurance customers to issue policies which cover several decades. In addition, the relationship between revenues and costs often involves a deficit in the initial years of the policy, while a surplus occurs in the later stages. Hence, a perspective extending beyond a single year is required for evaluation of the value of operations in a unit-linked company. As a result, the present-value trend for the unit-linked company's future surpluses on the policies issued is assessed on a regular basis, using customary actuarial methods. The total present value plus visible shareholders' equity is termed "embedded value".

The total embedded value before deferred tax for Länsförsäkringar Wasa Fondliv amounted to SEK 2,281 M (1,580) at year-end.

## TRADITIONAL LIFE INSURANCE

SEK M	31 December 1999	31 December 1998
Net premium income	4,827	3,923
Income for the year	11,426	10,281
Investment assets	102,528	83,420
Total yield	17.7	18.5
Total assets	107,645	89,913
Solvency level	126.2	121.5

## UNIT-LINKED INSURANCE

SEK M	31 December 1999	31 December 1998
Net premium income	2,806	2,210
Result before appropriations and tax	-35	19
Embedded value	2,281	1,580
Total assets	16,954	10,037

# Mutual funds

NINETEEN OF 29 MUTUAL FUNDS EXCEEDED THE RELEVANT INDEX IN 1999. THE GREATEST IMPROVEMENTS DURING THE YEAR WERE ACHIEVED BY THE JAPAN FUND AND THE SMALL COMPANIES FUND (YIELDS OF 106.7% AND 92.7%, RESPECTIVELY). THE EUROPE FUND CONTINUES TO EXCEED THE INDEX YEAR AFTER YEAR. THE YIELD IN 1999 WAS 17.0%, REPRESENTING VALUE GROWTH OF 37.2%.



## Länsförsäkringar continues to grow

### MAJOR EVENTS IN 1999

- Länsförsäkringar was nominated Sweden's best mutual fund manager by the Sparöversikt savings journal. Sparöversikt and two leading business journals (Affärsvärlden och Dagens Industri) also nominated Länsförsäkringar as the best fixed-interest mutual fund manager of the year.
- The capital managed in Länsförsäkringar's mutual funds increased from SEK 16.5 billion to SEK 27 billion during the year.
- The market share in terms of net sales increased to 6.5% (5.5). The total market share amounted to 3.2% (3.0).
- A new joint marketing organization was formed with the Länsförsäkringar's life insurance company.

In all, net savings in Swedish securities amounted to SEK 58.1 billion in 1999, and savings in mutual funds totalled more than SEK 850 billion at year-end. Each month, Länsförsäkringar's mutual funds receive more than 6.5% of new savings in the mutual fund fund market, which is twice as much as the total market share of 3.2%. In all, Länsförsäkringar manages more than SEK 27 billion in equity and fixed-interest mutual funds with various orientations. More than 250,000 customers save in Länsförsäkringar Wasa Fonder, either directly or via a unit-linked policy. As a result, Länsförsäkringar has found its role as a newcomer in the mutual fund market, which is otherwise dominated by the major banks, headed by FöreningsSparbanken with a joint market share of more than 85%. There are several scale advantages in the mutual funds business, but largest is not always best when yields are compared.

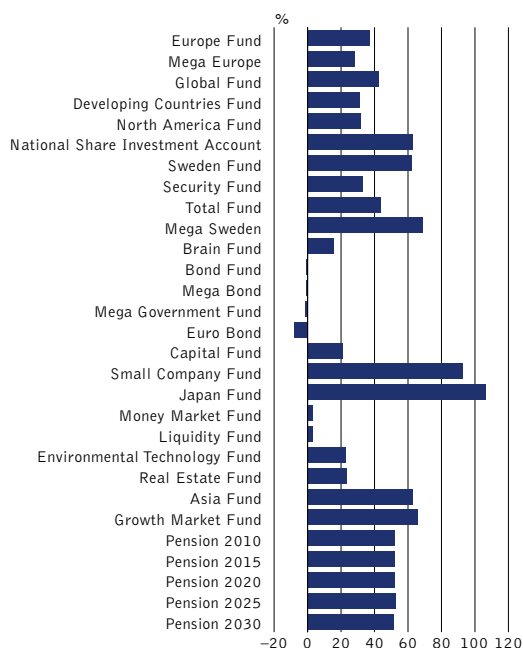
During 1999, Länsförsäkringar Wasa Fonder was awarded the title of "Mutual Fund Manager of the Year" and "Fixed-interest Mutual Fund Manager of the Year" by the Sparöversikt savings journal. Two leading business journals (Affärsvärlden och Dagens Industri) commended the company's achievements in a similar manner in 1998.

### ACTIVE SAVERS

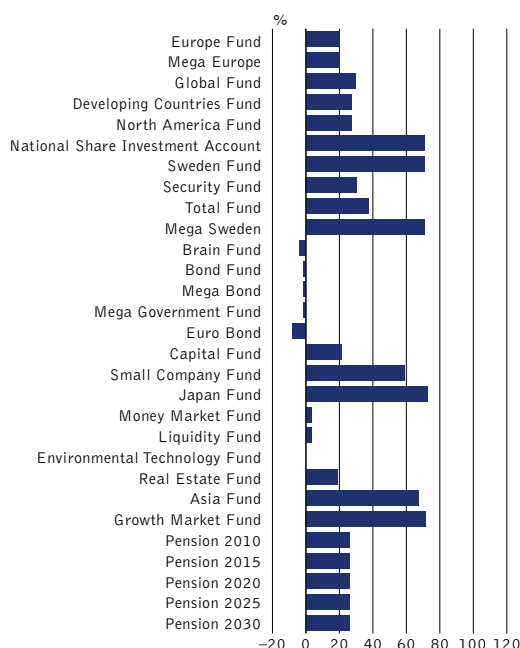
There is increasing mobility between various mutual funds, which indicates that mutual fund investors have become more active and are spreading their risks to new industries and markets. It also indicates



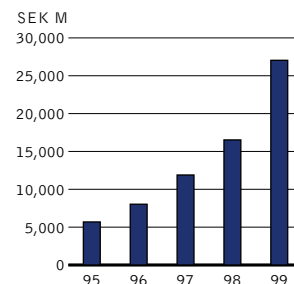
DEVELOPMENT OF FUNDS  
DURING 1999



DEVELOPMENT OF FUNDS DURING 1999,  
COMPARED WITH THE RELEVANT INDEX



MUTUAL FUND VALUE  
Länsförsäkringar Wasa Fonder



## in the mutual fund market

that the "lock-in" effect – resulting from capital gains tax on transfers from one fund to another, even if no cash is withdrawn – should not be overestimated.

### AGREEMENT WITH THE PREMIUM PENSION AUTHORITY

During the autumn of 2000, a proportion of Swedish employees' pension funds – the "premium pension" – will be invested in securities funds. The premium pension allocation amounts to 2.5% of earned income up to 7.5 basic index "amounts", and employees are free to choose a suitable fund manager and the mutual fund in which the money is to be invested. Länsförsäkringar has reached agreement with the Premium Pension Authority regarding participation in the system. Savers will primarily be offered Pension 2000 funds comprising seven "generation funds" with investments in stock markets all over the world and which take the investor's age into account. Ten years prior to the date of retirement, the shareholding is wound down in favour of bonds in order to achieve a lower risk.

Within a few years, the Internet has rapidly become an accepted feature of our society. The mutual fund company is preparing to offer trading in mutual fund units via the Internet during the autumn of 2000. Of course, customers can already receive information about Länsförsäkringar's funds on the Web, but in the autumn they will also have Internet access to their own mutual fund holdings.

### INCREASED RANGE OF MUTUAL FUNDS

Two new global sectoral mutual funds – the Internet Fund and the Industry Focus Fund will extend the product range during the first half of 2000. The Internet Fund will cover investment in companies with links with the Internet, while the Industry Focus Fund will concentrate on companies in a number of "hot" sectors.

The Mega Fund range, which offers products to major customers with at least SEK 1 million to invest, will be supplemented in the spring by Mega North America which has the same orientation as the North America Fund, investing in large well-known North American companies, especially in the US. The annual management charge for this fund will be 0.6%.

	31 December 1999	31 December 1998
Total number of funds	29	28
– of which equity funds	23	23
Volume managed, SEK M	27,000	16,500
Number of customers	250,000	230,000

# Banking

EACH REGIONAL INSURANCE COMPANY IS ALSO A BANK — LOCAL CONTACTS MAKE THE LF INSURANCE GROUP UNIQUE IN THE SWEDISH BANKING MARKET. DEPOSITS INCREASED BY 11% DURING 1999, AND LENDING BY 27%. THE NUMBER OF CUSTOMERS INCREASED BY 20% TO 232,000.



## Banking is becoming a profitable core operation

### MAJOR EVENTS DURING 1999

- There was a substantial increase in housing loans arranged on behalf of SBAB – from SEK 1.1 billion in 1998 to SEK 3.7 billion in 1999.
- A balance was achieved between deposits of SEK 7.3 billion in the bank and lending of SEK 7.9 billion.
- During the year, 10 ATMs were installed at local bank branches, to be followed by a further 10 during 2000.
- A long-term strategy for banking operations was drawn up.
- The regional insurance companies invested heavily in banking operations, including extensive recruitment of additional staff.

The future focus of joint banking operations in the LF Insurance Group was firmly established in 1999, following implementation of the merger between Länsförsäkringar Bank and Wasa Bank. In October 1999, the strategies, selected markets, target groups and products which will make the bank a profitable core operation in the long term within the Group were presented, with a high degree of consensus. Banking products and services for selected target groups, private individuals and farmers will continue to be a key feature of the regional insurance companies' product range. The bank will also handle the Group's payment flows, which is an important aspect of Länsförsäkringar's ambition to become a strong, independent participant in the Swedish insurance and banking market.

### ESTABLISHING A BANKING PROFILE

The bank is continuously developing its range of products and services for high-priority target groups, private individuals and farmers. During the year, for example, several regional insurance companies have installed automatic teller machines (ATMs), as one way of establishing a banking profile and demonstrating the banking role. Several major development initiatives will be implemented during the next few years. The key development project is the further refinement of Internet services, and review and development of housing loans, and credit and banking card services. Resources must be earmarked for development to ensure that the bank continues to be aggressive

and achieves a strong impact – this is the bank's chief assignment on behalf of the regional insurance companies.

#### CONSIDERABLE GROWTH POTENTIAL

All the regional insurance companies are now actively marketing banking services. There is also still a great deal to be accomplished before the bank's considerable growth potential is fully exploited, taking into account Länsförsäkringar's close contacts in its life, non-life and mutual fund operations. Customers are increasingly demanding simpler products and better service in the current, intensively competitive situation. Länsförsäkringar must continually rationalize its coordination between banking and insurance operations. This provides cross-selling opportunities.

#### COORDINATED INTERNET INITIATIVE

Both private individuals and farmers want the bank to offer Internet services. The Internet initiative – which was postponed until the merger process was completed – now has the highest priority. The initial Internet version will be ready in the second half of 2000.

#### SUCCESSFUL SUBSIDIARIES

Wasa Kredit operates under its own trademark, and is involved in hire-purchase, lending and leasing operations. The major business area is vehicle finance, which represents approximately 60% of sales. The other business areas include the financing of printing, engineering and contracting companies. Wasa Kredit's annual growth rate has consistently been in the 30-40% range and total assets increased from SEK 2.9 billion in 1998 to SEK 4.2 billion in 1999. Operating income was a record SEK 55 M.

Wasa Housing Loan's main task is to serve existing customers and meet their additional borrowing requirements. Since all sales of new housing loans are concentrated on the bank's partnership with SBAB, Wasa Housing Loan is not marketed under its own name. Wasa Housing Loan achieved satisfactory results in 1999, despite a reduced loan portfolio. This was due to the recovery of claims which had been written off, and successful operations in the existing portfolio. Operating income amounted to SEK 50 M.

#### COOPERATION WITH SBAB AND LANDSHYPOTEK

Cooperation with the SBAB housing loan institute which commenced in 1998 continued to develop favourably during the year and resulted in a substantial increase in the loan portfolio. The volume of business increased from SEK 1.1 billion in 1998 to more than SEK 3.7 billion in 1999, an increase of 220%. Another positive feature is that an increasing number of SBAB customers applied for a tertiary loan from the bank.

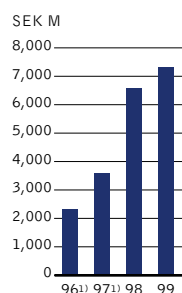
Cooperation with Landhypotek also started in 1998, and developed favourably during 1999. The joint Farming Package product offers customers both a Forest Account and a Forest Claims Account. The bank's target group in the farming sector is small and medium-sized farms – representing roughly 80% of the market.

#### RESULTS AND TRENDS

At year-end, deposits by the general public amounted to SEK 7.3 billion, an increase of more than 11%. Lending to the general public increased by approximately 27% to SEK 7.9 billion. Income for the year, at more than SEK 13 M, was an improvement on the preceding year and was better than anticipated since major development expenditure was incurred during the year. The number of customers in the banking Group increased by 20% to 232,000. The niche banks – Länsförsäkringar Bank, Skandiabanken, Ikanobanken, Stadshypotek Bank and HSB Bank – have increased their share of the total banking market slightly. Lending to the general public increased from 1.7% to 2%, and the proportion of deposits made by the general public increased from 4.6% to 4.8%. Länsförsäkringar Bank increased its market shares within the niche bank category by 10.3 percentage points for deposits by the public and 18.2 percentage points for lending to the public.

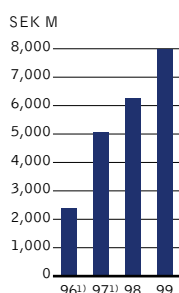
	31 Dec. 1999	31 Dec. 1998
Income for the year, SEK M	13	-26
Total assets, SEK M	10,577	9,320
Capital cover ratio, %	11.7	16.9
Interest margin, %	2.76	2.69
Number of customers	232,000	193,000

DEPOSITS BY THE  
GENERAL PUBLIC



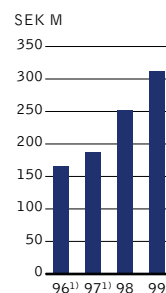
<sup>1)</sup> Pro forma

LENDING TO THE  
GENERAL PUBLIC



<sup>1)</sup> Pro forma

NET INTEREST  
INCOME



<sup>1)</sup> Pro forma

# The Asset Management company

## MAJOR EVENTS DURING 1999

- Successful management – index exceeded in the majority of securities markets.
- Discretionary equity and fixed interest management assignments for external customers.
- Company personnel located in Hong Kong, in cooperation with Eureko, to manage Asian equity holdings at close range.
- The volume managed amounted to SEK 129 billion at year-end – one of the highest asset management volumes in Sweden.



## Successful asset management

LÄNSFÖRSÄKRINGAR WASA KAPITALFÖRVALTNING IS A SECURITIES COMPANY MANAGING A TOTAL OF SEK 129 BILLION – ONE OF THE HIGHEST ASSET MANAGEMENT VOLUMES IN SWEDEN. PENSION AND MUTUAL FUND MANAGEMENT ARE THE PRIMARY ACTIVITIES. FIXED-INTEREST MANAGEMENT REPRESENTS MORE THAN HALF THE TOTAL CAPITAL. THE REMAINDER IS EQUITY MANAGEMENT. THE HIGHEST PROPORTION OF EQUITY INVESTMENT IS IN SWEDEN, AND THE LOWEST IS IN EMERGING MARKETS.

Asset Management is responsible for managing the LF Insurance Group's securities funds, approximately 85% of Länsförsäkringar Wasa Liv's asset volume, securities management for other Länsförsäkringar Wasa companies, a proportion of the regional insurance companies' asset volume, and asset management for external principals.

During the past year, Asset Management has initiated the process of attracting external asset management assignments by approaching institutions outside the LF Insurance Group and offering the same asset management services which the Group has enjoyed for many years. During 1999, Asset Management obtained external assignments for both interest-bearing securities and equities. This activity will increase in the next few years.

Asset Management offers management services to institutional customers, both in the form of various securities funds and as individ-

ual customer assignments (discretionary management). A discretionary portfolio permits the customer to achieve individual customization of the yield target, and hence the level of risk.

It is difficult to analyze the asset management market fully. Discretionary management is not public information and it is only possible to estimate the scope of this segment of the market. There are approximately 30 participants in the market – some concentrate on private individuals and others on institutional customers. Safeguarding future pension commitments – for local authorities for example – is a major underlying factor in the growing need for external professional asset management. Banks and the larger securities brokers are the principal participants in this market. In the middle of the year, the Fond & Bank newsletter conducted a survey which indicated that this market is worth SEK 305 billion in Sweden. The market grew by about 7% between 1998 and 1999.

During the year, the Sparöversikt savings magazine nominated Länsförsäkringar as the best fixed-income fund manager of the year, based on the yields and risk in Swedish fixed-income funds during the previous two years. There was another award by Sparöversikt in September, this time as the best mutual fund manager of 1999, and again based on yields and risk. The Affärsvärlden and Dagens Industri business journals also nominated Länsförsäkringar as the best mutual fund manager, both in 1998 and 1999.

A local presence is an important factor in making company-specific analyses. As a result, Asset Management has worked with Friends Ivory & Sime (a Eureka company) and set up its own staff in Hong Kong, which is the base for managing Asian equity investments. The relationship with Friends Ivory & Sime also includes cooperation in New York, which has continued for several years. The American market now represents a sufficiently large proportion of LF Asset Management's volume to justify the establishment of a separate branch in the US during the current year.

#### ASSET MANAGEMENT EARNINGS IN 1999

Asset Management had a successful year, particularly in Japanese equities but also in terms of the yield on European, Swedish and North American equities, which was markedly better than the relevant indexes. Success in the Japanese equities market was primarily based on an overweighting in the services and telecom sectors and a low weighting in the energy sector.

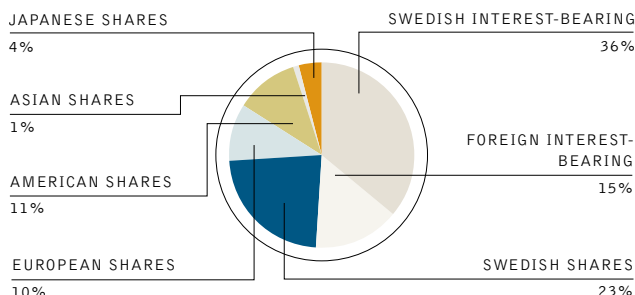
Throughout 1999, Asset Management invested in growth shares in the American market, and this proved to be a successful strategy. During the autumn, the right companies were selected in the consumer products, financial and durable goods sectors, and this helped to ensure that the portfolio outperformed the index. Success in the European stock markets was primarily due to the selection of companies, which included investments in Nokia and Mannesmann. The management of Swedish equities was also successful as a result of overweighting in growth shares such as Netcom, Nokia and HM.

Investments in interest-bearing securities were relatively successful during 1999. The year commenced with a higher risk in the portfolios than in the relevant indexes, which resulted in lower performance than the index when interest rates started to rise. The risk in the portfolios was reduced at a relatively early stage, however. They were switched to a lower risk than the index when interest rates rose in May, and this position was maintained for the rest of the year. This proved to be the correct strategy since interest rates continued to rise.

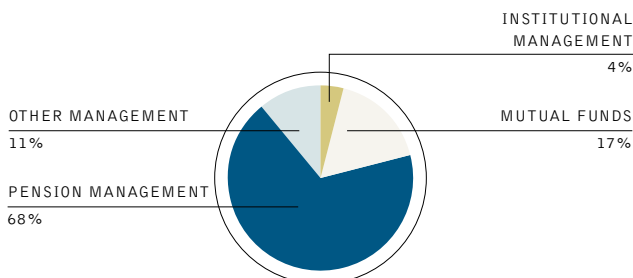
In the case of mixed portfolios, an active tactical allocation between submarkets is a prime factor in achieving results. At the beginning of the year, there was an overweighting on European shares and an underweighting on American equities in these portfolios. During the first six months of the year, the emphasis on Japanese shares was

gradually increased from a neutral weighting at the beginning of 1999. Shares had a heavier weighting than interest-bearing securities throughout the year, and this helped to ensure that the yield was higher than the index. In the equities segment, the overweighting in Swedish shares and the low weighting in American shares resulted in added value in the portfolio.

#### MARKET BREAKDOWN, TOTAL CAPITAL MANAGED

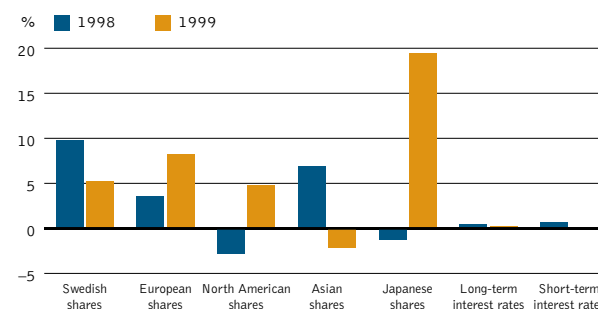


#### ASSIGNMENT BREAKDOWN



#### PORTFOLIO YIELDS COMPARED WITH THE INDEX

Equally weighted average



#### KEY RATIOS

SEK M

31 Dec. 1999

Operating revenue	332.2
Operating income	124.2
Assets managed	129,442
Number of employees	64



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LÄNSFÖRSÄKRINGAR MILJÖ	44
LÄNSFASTIGHETER/HUMLEGÅRDEN	45
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## AGRIA

# Swedish quality champion

Agria, the LF Insurance Group's specialist animal and crop insurance company, received the "Swedish Quality Award" in December. This award confirms that the Agria's application of its customer-oriented quality process over the years has been successful and is regarded as setting an example for other Swedish companies.

In 1999, the development process included establishment of a Customer Centre – a state-of-the-art call centre with specialized sales expertise. This gives customers better service, quicker responses and a very high access rate. Regular customer surveys indicate that Agria has a customer satisfaction rating of 85%.

The Agaton on-line insurance system which Agria has developed also went into operation. Development of Agria's new website commenced, with the aim of establishing a channel for operations via the Internet.

The Horse business area increased its insurance portfolio from 91,500 horses to 95,600 in 1999, and the Agriculture business area also achieved a marked increase in sales, largely due to the introduction of its new "Restricted Cattle" policy. The Small Animals business area developed favourably during the year, partly due to an increase of 6,000 in the number of cats covered.

Claims expenses were high in 1999, due to the higher incidence and increased average cost of claims. A number of extensive salmonella claims had a negative impact on the Agriculture business area. In the Horse business area, the higher total claims cost is due to the increased number of animals covered, and also to a higher claims frequency. In the case of crops, claims were relatively normal during the year.

Operations concerning animals have a high emotional potential, and are not purely a question of economic values. Agria's concept for success includes a high degree of integration with customers, who sit on the Board or in product committees and are active partners in operations. During the year, Agria renewed its partnership agreements with several animal-owners' organizations, including the Swedish Equestrian Federation and the Swedish Kennel Club. Agria has been one of the main sponsors of the Stockholm International Horse Show since the start, and it has now become the world's largest annual equestrian event. There is ongoing dialogue with the Swedish Veterinary Hospital Association regarding, for example, the insurance propensity in the animal sector and the cost trend for veterinary care.

Income before appropriations and tax amounted to SEK 221 M (174). The improvement was due to higher investment income as a result of the greater premium volume. Sales increased and premiums earned amounted to SEK 508 M (477). The combined ratio increased to 100% (92), primarily due to the substantial Internet investment, which will result in considerable rationalization of operations and improved customer service.

	1999	1998
Number of policies	482,000	475,800
Premiums earned, net of reinsurance, SEK M	508.0	476.6
Income before appropriations and tax, SEK M	221	174
Number of animals insured	1,600,000	1,300,000
Number of hectares of crops insured	623,000	646,000



LITA

## Best Internet access in the industry

Lita was established in 1995 as the result of a partnership between Wasa and Sweden Post. The idea was to launch an entirely new type of life and non-life insurance operation in which Wasa was the insurer and Sweden Post the distributor. Länsförsäkringar Wasa now insures non-life business, following the merger, while Länsförsäkringar Wasa Liv and Länsförsäkringar Wasa Fondliv are responsible for life and pension business, respectively. Europeiska Försäkrings AB insures the separate travel insurance policies marketed by Lita.

Lita's operations are based on simple products and marketing, and adaptation to the various sales situations encountered in post offices. Lita is now well-established, with an effective organization and approximately 180,000 customers. Lita's image as a newcomer and upstart in the Swedish insurance market will continue to be reinforced.

The Lita brand represents simplicity, and has achieved a high degree of market recognition. There was a considerable increase in spontaneous purchasing during the year, primarily on the Internet. More than 20% of new sales are via the Internet nowadays. Lita's strong Internet presence is also confirmed by the Risk och Försäkring

newsletter which rated Lita as the most accessible insurance company on the Internet. A strong Internet position is a necessary supplement to the post office network which is now facing a comprehensive change process.

During 1999, Lita issued 34,000 new policies. Life and pension insurance represented 25% of the policies sold.

New sales of pension insurance were at a high level in 1999 and, as a result, life and pension insurance has overtaken non-life business in terms of premium income.

Premium income, SEK M	1999	1998
Non-life insurance	125.8	115.4
Life and pension insurance	128.7	119.3
<b>Lita total</b>	<b>254.5</b>	<b>234.7</b>

There was a radical improvement in the profitability of non-life business during 1999, largely due to active measures taken in the motor insurance area, as from 1 July 1998.

## Further reduction in risk levels

Prior to 1993, both Länsförsäkringar and Wasa underwrote reinsurance and international direct insurance. The run-off of this business is now handled by Länsförsäkringar Wasa's Run-Off Division. There are provisions of SEK 1.9 billion (2.2) for future claims payments, and the Division is assigned to buy out of its commitments in the most cost-effective manner. The aim is that a fifth of these provisions are to be eliminated during 2000. During 1999, this run-off process resulted in a reduction in reserves from SEK 2,222 M (2,630) to SEK 1,944 M (2,212).

The technical result in 1999 amounted to SEK 100 M (32). There was an emphasis on the run-off of the really major items – for example liability insurance – on a continuous basis. Risk levels were further reduced during the year.

### KEY RATIOS

	1999	1998
Income for the year, SEK M	100	32
Gross claims reserve, SEK M	1,944	2,222

### LÄNSFÖRSÄKRINGAR MILJÖ

## Länsförsäkringar's environmental approach extended throughout the Nordic region

Länsförsäkringar applies a long-term vision in which an environmental approach is an extension of traditional insurance and the actuarial prudence concept. Long-term risk assessment is part of everyday life. Länsförsäkringar's strength in the Swedish insurance market entails both an obligation and an opportunity to work for a better environment.

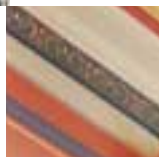
The LF Insurance Group adopted a joint environmental policy in 1996. The merger between Länsförsäkringar and Wasa called for coordination of environmental efforts, and there was a renewed focus on environmental issues in 1999. The degree of progress made by the 24 regional insurance companies in the environmental sphere varies, but the objective is the same – to work for developments in society which are viable in the long term. Länsförsäkringar has the same responsibilities for ecology and the environment as our customers/owners, our employees and society as a whole.

Länsförsäkringar's environmental policy establishes that all operations are to be permeated by concern for the environment, including claims adjustment. An environmental manual, which is a means of achieving this objective, has been prepared in cooperation with a number of other companies. Training employees is another feature of this task. All employees complete a basic training programme in the en-

vironmental area, and further training for claims adjusters and purchasing officers commenced during 1999.

Länsförsäkringar's environmental process takes the form of co-operation between the regional insurance companies and Länsförsäkringar Miljö, which is a subsidiary of Länsförsäkringar Wasa, formed in 1997. Länsförsäkringar Miljö issues environmental insurance policies, and received a permit for its producer liability insurance in 1998, guaranteeing that a product will be processed in an environmentally friendly manner when it reaches the end of its life. This has entailed a unique role for the company as a partner in the dialogue with both legislators and industry in producer liability matters. The company's vision is to be the leading company in financial services which protect the environment or enhance opportunities for sustainable development. The business concept is market leadership in the continuous development of environmentally related financial services and products.

Länsförsäkringar Miljö became a Nordic company in 1999, following the establishment of a partnership with Gjensidige, the Norwegian insurance company. A branch office was opened in Oslo in the spring of 1999. Partnership discussions were initiated with Tapiola, a Finnish insurance company, in the autumn of 1999. It is anticipated that a branch will be established in Helsinki during 2000.



LÄNSFASTIGHETER/HUMLEGÅRDEN

## Humlegården – the major acquisition in 1999

Länsfastigheter, which is part of the LF Insurance Group, is owned by 22 regional insurance companies, Länsförsäkringar Wasa and Länsförsäkringar Wasa Liv. The major occurrence in the year for Länsfastigheter was the acquisition of Humlegården Fastigheter in November. Nearly 98% of the shares were acquired by the year-end. The acquisition was based on a strategic analysis which indicated that Länsfastigheter was too small to maintain its status as an independent company in the long term. It had a satisfactory basic portfolio of properties in central Stockholm, but it was too small. The strategic analysis, which was conducted during the summer, indicated that Humlegården was the company which clearly had the best fit with Länsfastigheter's operations.

Länsfastigheter/Humlegården is now the ninth largest landlord in Stockholm. The location of the various properties ensures efficient operation and maintenance, and allows tenants to feel that they always have access to alternative premises if their operations expand or shrink. The efficiency aspect is illustrated by the fact the total number of staff has been reduced from 28 employees to 20 in the new organization. Including the property managed on behalf of Länsförsäkringar Wasa at Gärdet in Stockholm, the average value of the property managed is more than SEK 250 M per employee.

Following the acquisition, the company's equity/assets ratio declined below the required level. As a result, the owners have decided to undertake a new share issue involving a debenture loan of more than SEK 350 M.

A number of projects were completed during 1999, the most important of which was the sale of "The Galleria" shopping precinct near London, which was acquired in 1994, together with partners in Holland and some regional insurance companies. Galleria was originally purchased for GBP 11.5 M and was sold for GBP 39.5 M. This investment was one of the few foreign transactions to achieve such favourable results. In addition, the Saltsjöqvarn project was completed and divested, and a shopping centre in Norsborg in southern Stockholm was also sold.

Financial results were satisfactory during 1999. The profit, including capital gains, amounted to SEK 248 M (SEK 48 M excluding capital gains). The total yield, that is the direct yield and the change in the market value of the properties, was slightly more than 20%.

The merger of Länsfastigheter and Humlegården is under way. A new organizational structure has been established in which approximately half the employees come from each company. The new company will have a strong position in the central Stockholm business district.

### KEY RATIOS

	1999	1998
Market value, real estate, SEK M	4,504	2,006
Income for the year, SEK M	248	41
Yield on shareholders' equity, %	30.7	7.8
Equity/assets ratio, %	21.6	43.0



## EUREKO

# Cross-border cooperation and exchanges of experience

**L**änsförsäkringar Wasa has been a member of the Eureko European insurance alliance, following the merger with Wasa in 1998. Eureko currently consists of eight partners which are among the leading insurance and financial groups in their domestic markets.

In addition to Länsförsäkringar Wasa, the alliance includes Friends Provident (Great Britain), the BCP Group (Portugal), Parion (Germany), Achmea (Netherlands), Topdanmark (Denmark), Swiss Mobiliar (Switzerland) and MAAF (France). Eureko aims to enhance its partners' opportunities to develop products and services in the insurance sector and provides other financial services, as a result of cooperation and exchanges of experience. The basic idea is that each partner conducts independent operations in its home market, but that international operations are to be joint.

Cooperation within the alliance is achieved via Eureko B.V., a jointly owned development and service company, with offices in Amsterdam and Paris. Eureko B.V. also conducts certain insurance operations via subsidiary companies. In addition, Eureko B. V. has minority shareholdings in its various partners and, as a result, owns 3.5% of Länsförsäkringar Wasa which, in its turn, owns 8.2% of Eureko B. V.

During the year, Länsförsäkringar extended its cooperation with Friends Ivory & Sime, a listed endowment insurance company in London. A regional office was established in Hong Kong to manage Asian shareholdings.

Cooperation between the various Eureko partners in the life insurance sphere commenced during 1999, with the aim of identifying international customers who do business in more than three partner countries, and offering international customers more comprehensive and coordinated services.

During the year, Eureko B.V. and BIG Bank Gdanski acquired 30% of the shares in the PZU insurance company in Poland. This is one aspect of a long-term strategy to concentrate and reinforce operations in Europe. Eureko B.V. also established an office in Paris.

Income in Eureko B. V. amounted to SEK 716 M (406), of which Länsförsäkringar Wasa's share amounted to SEK 59 M (48). The share dividend will be determined later during the spring of 2000. The dividend amounted to SEK 8 M in the preceding year. Länsförsäkringar Wasa's holding of shares in Eureko B. V. was valued at SEK 1,045 M (1,006) at year-end.

The eight partners in Eureko had joint premium income corresponding to approximately SEK 190 billion, and assets of about SEK 750 billion, making Eureko the fourth largest insurance group in Europe.





## EMPLOYEES

# Skills development – essential for success

Following a year in which operations were largely dominated by the merger between Länsförsäkringar and Wasa, 1999 was a year for active measures in the personnel sphere.

The merger process was completed during the year, and the synergy gains have been realized for the most part. When the merger was launched, it was estimated that there would be nearly 400 redundancies. By year-end 1999, this figure had been reduced to approximately 20 redundant employees, placed in a “resource organization” to help them to find new positions inside or outside the Group.

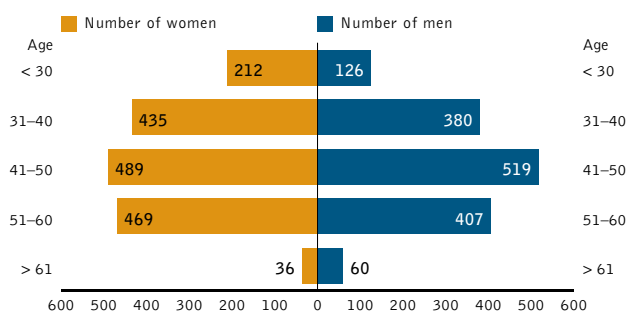
Skills development is a high priority area in the LF Insurance Group. A new policy and strategy for upgrading skills and expertise was developed during the spring of 1999, and efforts to implement this policy continued during the year. Individual skills profiles are developed for all employees, identifying their current level and formulating an action plan to meet future requirements.

All corporate development is based on management abilities and adaptation to change. The LF Insurance Group has developed a new model for management recruitment which adopts a comprehensive approach covering recruitment, development and retirement. The establishment of the LF Academy in 1999 was a major step in the development of managers. The Academy offers personal development and training programmes for managers at all levels. Management training is conducted in cooperation with organizations such as M-gruppen, IFL (The Swedish Institute of Management) and MiL (Management

in Lund). There are exchange programmes for managers within the Eureka framework, which also offers training programmes for managers and key personnel.

Länsförsäkringar is developing forms for its future training organization on a continuous basis. Interactive computer-supported training programmes are being developed. The aim is to offer Web-based programmes, distributed via the LF Insurance Group’s LäNet intranet.

AGE AND GENDER DISTRIBUTION IN THE LF INSURANCE GROUP



# The LF Insurance Group

NON-LIFE INSURANCE, 1999

	Blekinge	Dalarna	Älvsborg	Gävleborg	Göinge	Göteborg och Bohuslän	Halland	Jämtland	Jönköping	Kalmar	Kronoberg	Norrbottn	Skaraborg
<b>NON-LIFE INSURANCE, SEK M (incl. Unit-linked, Bank and Asset Management)</b>													
<b>INCOME (for own account) 1999</b>													
Premiums earned	87.2	402.2	343.4	170.5	86.4	349.1	197.6	127.0	310.6	213.6	149.2	107.1	208.9
Investment income in underwriting business	17.5	104.9	67.1	4.9	13.8	44.9	30.3	16.6	44.0	32.1	3.9	4.0	24.3
Claims payments	-84.7	-335.7	-288.3	-144.0	-66.6	-258.1	-156.9	-95.8	-253.0	-163.3	-114.8	-102.2	-154.1
Operating expenses	-21.3	-94.1	-75.2	-49.0	-23.1	-72.6	-52.2	-28.6	-55.1	-53.9	-33.7	-26.6	-60.6
Other income/expenses in underwriting business			1.7										
Bonuses	-20.5	-233.4	-88.9		-13.1	-25.0	-19.1	-15.5	-35.6	-76.8	-4.5		-16.7
<b>Underwriting results</b>	<b>-21.9</b>	<b>-156.2</b>	<b>-40.1</b>	<b>-17.6</b>	<b>-2.6</b>	<b>38.2</b>	<b>-0.3</b>	<b>3.7</b>	<b>10.9</b>	<b>-48.4</b>	<b>0.1</b>	<b>-17.6</b>	<b>1.7</b>
Total investment income	154.8	1,281.7	501.7	185.2	88.8	337.0	318.2	88.9	227.6	314.4	101.7	25.9	134.6
Investment income transferred to underwriting business	-17.5	-104.9	-67.1	-4.9	-13.8	-44.9	-30.3	-16.6	-44.0	-32.1	-3.9	-4.0	-24.3
Results of unit-linked insurance													
Results banking													
Results Asset Management													
Other revenue/expenses	-2.4	-5.7	-10.8	-4.9	-1.6	-23.6	-16.2	-2.5	-16.1	-4.5	-8.6	-0.8	0.2
<b>Operating income</b>	<b>113.0</b>	<b>1,015.0</b>	<b>383.6</b>	<b>157.8</b>	<b>70.9</b>	<b>306.8</b>	<b>271.3</b>	<b>73.4</b>	<b>178.4</b>	<b>229.5</b>	<b>89.2</b>	<b>3.5</b>	<b>112.3</b>
of which change in surplus value in unit-linked insurance <sup>1</sup>													
Result before appropriations and tax	113.0	1,015.0	383.6	157.8	70.9	306.8	271.3	73.4	178.4	229.5	89.2	3.5	112.3
<b>BALANCE SHEET, 31 DECEMBER 1999</b>													
<b>ASSETS</b>													
Investment assets <sup>2)</sup>	568.8	3,562.5	2,117.9	764.0	412.8	1,474.5	1,216.6	561.1	1,085.6	1,266.4	475.0	340.5	840.7
Other assets	40.4	366.9	134.5	59.1	59.8	247.9	81.1	125.4	237.7	182.0	96.1	78.0	144.9
<b>Total assets</b>	<b>609.2</b>	<b>3,929.4</b>	<b>2,252.5</b>	<b>823.1</b>	<b>472.6</b>	<b>1,722.3</b>	<b>1,297.7</b>	<b>686.5</b>	<b>1,323.3</b>	<b>1,448.4</b>	<b>571.1</b>	<b>418.5</b>	<b>985.6</b>
<b>SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES</b>													
Shareholders' equity	260.9	1,728.9	849.4	386.3	145.9	512.0	536.9	239.5	454.2	536.4	165.9	81.5	254.7
Untaxed reserves	133.3	663.1	545.5		129.7	384.2	266.7	146.1	384.8	352.0	177.5		280.6
Other liabilities	215.0	1,537.4	857.6	436.8	197.0	826.1	494.1	300.9	484.4	560.0	227.7	337.0	450.3
<b>Total shareholders' equity, reserves and liabilities</b>	<b>609.2</b>	<b>3,929.4</b>	<b>2,252.5</b>	<b>823.1</b>	<b>472.6</b>	<b>1,722.3</b>	<b>1,297.7</b>	<b>686.5</b>	<b>1,323.3</b>	<b>1,448.4</b>	<b>571.1</b>	<b>418.5</b>	<b>985.6</b>
Of which the value of shares in Länsförsäkringar Wasa	67.5	317.9	319.7	179.1	84.8	289.6	168.3	121.3	261.7	164.6	112.0	83.2	219.3
Of which deferred tax	73.6	547.9	237.4	77.4	39.6	187.7	187.4	73.0	75.7	134.3	39.0	30.3	25.8
<b>Ownership participation in Länsförsäkringar Wasa, %</b>	<b>1.3</b>	<b>6.3</b>	<b>6.3</b>	<b>3.5</b>	<b>1.7</b>	<b>5.7</b>	<b>3.3</b>	<b>2.4</b>	<b>5.2</b>	<b>3.3</b>	<b>2.2</b>	<b>1.6</b>	<b>4.3</b>
<b>Net asset value</b>	<b>467.8</b>	<b>2,940.0</b>	<b>1,632.2</b>	<b>568.4</b>	<b>315.2</b>	<b>1,083.9</b>	<b>991.0</b>	<b>465.9</b>	<b>906.4</b>	<b>1,022.6</b>	<b>393.0</b>	<b>128.8</b>	<b>616.9</b>
<b>Solvency margin, %</b>	<b>511</b>	<b>709</b>	<b>454</b>	<b>319</b>	<b>349</b>	<b>285</b>	<b>462</b>	<b>350</b>	<b>275</b>	<b>445</b>	<b>248</b>	<b>117</b>	<b>285</b>
<b>Number of employees</b>	<b>47</b>	<b>150</b>	<b>200</b>	<b>103</b>	<b>41</b>	<b>222</b>	<b>116</b>	<b>62</b>	<b>143</b>	<b>106</b>	<b>67</b>	<b>58</b>	<b>97</b>

The LF Insurance Group is not a corporate group in either the legal or practical sense since it is a partnership between 24 independent regional companies which jointly own Länsförsäkringar Wasa.

												Länsförsäkringar Wasa	LF Insurance Group
Stockholm	Södermanland	Uppsala	Värmland	Kristianstad	Västerbotten	Västernorrland	Bergslagen	Östgöta	Gotland	Skåne	Outcome, 1999		
644.3	199.6	244.7	175.3	88.2	238.4	152.3	293.4	394.3	61.6	483.0	3,016.6	8,744.4	
94.5	25.2	51.1	6.5	10.8	6.7	20.2	58.2	87.2	9.2	62.1	698.2	1,538.1	
-614.3	-161.9	-209.6	-144.9	-66.5	-177.8	-136.9	-255.2	-326.4	-40.9	-387.6	-2,792.6	-7,532.1	
-182.4	-50.8	-56.9	-43.0	-20.8	-74.8	-37.6	-65.3	-103.4	-15.3	-110.4	-778.7	-2,185.6	
								0.6			-40.2	-37.9	
-23.5		-26.6			-16.5	-8.7	-30.0	-33.0	-109.4	-11.1	-48.5	-856.5	
-57.9	-11.4	2.7	-6.1	-4.9	-16.2	-32.0	-1.9	-57.2	3.6	-1.4	103.3	-329.5	
452.2	192.1	290.5	39.1	88.4	221.6	131.5	296.4	607.1	110.5	348.0	2,363.4	7,933.2	
-94.5	-25.2	-51.1	-6.5	-10.8	-6.7	-20.2	-58.2	-87.2	-9.2	-62.1	-698.2	-1,538.1	
											-95.9	-95.9	
											23.6	23.6	
											-5.1	-5.1	
-44.6	-5.0	-12.3	-3.1	-3.1	-2.8	-3.4		-15.2	-1.1	-36.4	-639.4	-863.8	
255.2	150.5	229.8	23.3	69.7	196.0	79.3	232.8	447.6	103.8	248.0	1,051.6	5,124.3	
											606.1	606.1	
255.2	150.5	229.8	23.3	69.7	196.0	79.3	232.8	447.6	103.8	248.0	1,657.7	5,730.4	
1,930.0	790.3	1,236.9	577.6	405.4	1,315.9	565.8	1,504.8	2,849.6	368.1	1,956.5	12,953.4	36,068.0	
367.6	149.7	157.3	89.5	105.5	123.1	108.7	131.2	193.1	143.3	648.8	22,191.1	22,874.5	
2,297.6	940.0	1,394.2	667.1	510.9	1,439.0	674.5	1,636.0	3,042.7	511.4	2,605.3	35,144.5	58,942.5	
494.7	275.0	445.3	255.7	150.2	442.1	189.9	596.6	1,334.2	304.4	617.9	5,135.5	11,521.3	
582.9	248.7	389.0			148.5	345.4	183.3	372.7	580.8	629.4	6,944.1		
1,220.0	416.3	560.0	411.4	212.2	651.5	301.3	666.7	1,127.7	207.0	1,358.0	30,008.9	40,477.0	
2,297.6	940.0	1,394.2	667.1	510.9	1,439.0	674.5	1,636.0	3,042.7	511.4	2,605.3	35,144.5	58,942.5	
458.0	178.8	233.8	108.9	90.6	174.2	143.8	255.8	321.8	42.4	475.3	4,872.4		
187.0	84.9	137.6	72.7	41.5	141.6	50.7	195.2	418.9	49.4	162.0	647.4	3,918.1	
9.0	3.5	4.6	2.2	1.8	3.4	3.0	5.1	6.4	0.8	9.4	96.5		
1,265.0	608.7	969.2	328.4	340.2	935.0	447.5	1,166.8	2,315.7	369.8	1,409.3	5,983.0	22,797.9	
166	298	376	179	363	376	280	379	574	583	252	239	262	
438	99	136	91	40	123	85	157	221	29	303	1,623	4,757	

<sup>1)</sup> During 1998 and 1999, the change for the year in surplus value in the unit-linked insurance business is included in Länsförsäkringar Wasa's operating income.

The surplus value in unit-linked insurance in 1998 comprised the discounted value of the insurance policies' estimated future payment flows during the expected duration of the policy, less the value booked in the consolidated accounts. An interest rate of 9.5% was applied for 1998.

The unit-linked company was divested during 1999 and, as a result, there is no year-end surplus value for Länsförsäkringar Wasa. On the other hand, the full-year income for the unit-linked companies during 1999 is included.

Transactions between Länsförsäkringar Wasa and the regional insurance companies have been eliminated in order to achieve more accurate overall values for the overall Group. Reinsurance transactions ceded or accepted have been eliminated. This also applies to the value of Länsförsäkringar Wasa shares and debentures and to Länsförsäkringar Wasa's liabilities to, and receivables from, the regional insurance companies.

## The life insurance company

SEK M	1999	1998 pro forma
INCOME STATEMENT		
Premium income, gross	4,914	4,034
Premium income, net	4,827	3,923
Investment income, net	14,968	14,583
Other technical revenues	10	5
Claims	-1,974	-1,844
Change in other technical reserves	-4,731	-4,840
Bonuses and discounts	0	-5
Operating expenses	-713	-789
<b>Underwriting technical result</b>	<b>12,387</b>	<b>11,033</b>
Non-technical result	-99	-17
<b>Result before appropriations and tax</b>	<b>12,288</b>	<b>11,016</b>
Appropriations	0	44
Tax	-862	-779
<b>INCOME FOR THE YEAR</b>	<b>11,426</b>	<b>10,281</b>

## BALANCE SHEET

### ASSETS

Investment assets		
Buildings and land	4,735	3,831
Investments in group and associated companies	6,629	4,205
Other financial investment assets		
– shares and participations	46,900	37,920
– bonds and other interest-bearing securities	44,035	37,388
– other financial assets	228	71
Deposits with companies which have ceded reinsurance	1	5
Reinsurers' proportion of technical reserves	288	271
Other assets	2,131	3,724
Prepaid expenses and accrued revenue	2,698	2,498
<b>TOTAL ASSETS</b>	<b>107,645</b>	<b>89,913</b>

### SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES

Shareholders' equity	8	8
Bonus funds	49,382	39,461
Technical reserves (before ceded reinsurance)	53,238	48,332
Other provisions and liabilities	4,437	1,609
Accrued expenses and prepaid revenues	580	503
<b>TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES</b>	<b>107,645</b>	<b>89,913</b>

## The unit-linked company

SEK M	1999	1998 pro forma
INCOME STATEMENT		
Premium income, gross	2,812	2,215
Premium income, net	2,806	2,210
Investment income, net	188	119
Increase in value of investment assets for which the life-insurance policyholder bears the risk	4,141	1,160
Other technical revenues	70	0
Claims	-254	-156
Change in other technical reserves	-6,655	-3,129
Operating expenses	-309	-191
Tax expense charges transferred to non-technical account	-83	-67
<b>Underwriting technical result</b>	<b>-96</b>	<b>-54</b>
Non-technical result	-22	6
Tax expense charges transferred from technical account	83	67
<b>Result before appropriations and tax</b>	<b>-35</b>	<b>19</b>
Appropriations	0	-5
Tax	-87	-99
<b>INCOME FOR THE YEAR</b>	<b>-122</b>	<b>-85</b>

## BALANCE SHEET

### ASSETS

Investment assets	183	182
Investment assets for which life-insurance policyholders bear the risk	15,749	9,093
Other assets	219	98
Prepaid expenses and accrued revenue	803	664
<b>TOTAL ASSETS</b>	<b>16,954</b>	<b>10,037</b>

### SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES

Shareholders' equity and untaxed reserves	474	596
Reserves for life insurance for which life-insurance policyholders bear the risk	15,749	9,093
Other provisions and liabilities	705	337
Accrued expenses and prepaid revenue	26	11
<b>TOTAL SHAREHOLDERS' EQUITY, RESERVES AND LIABILITIES</b>	<b>16,954</b>	<b>10,037</b>

# The banking Group

SEK M	1999
INCOME STATEMENT	
Interest revenue	602.3
Interest expense	-290.0
<b>Net interest</b>	<b>312.2</b>
Commission revenue	59.5
Commission expense	-9.7
Net income from financial transactions	-48.9
<b>OTHER OPERATING REVENUE</b>	<b>18.4</b>
<b>Total operating revenue</b>	<b>331.6</b>
Administration expenses	-324.7
Depreciation	-7.3
<b>Total costs before credit losses</b>	<b>-332.0</b>
<b>Income before credit losses</b>	<b>-0.4</b>
Credit losses, net	-10.6
<b>Income from banking operations</b>	<b>-11.0</b>
<b>Income from insurance operations</b>	<b>24.4</b>
<b>INCOME FOR THE YEAR</b>	<b>13.4</b>

## BALANCE SHEET

Cash and balances with central banks	18.0
Chargeable debentures	445.0
Lending to credit institutions	364.4
Lending to the public	7,963.4
Shares and participations	0.5
Bonds and other interest-bearing securities	1,436.9
Assets in insurance operations	79.6
Intangible assets	19.0
Tangible assets	11.1
Other assets	131.7
Prepaid expenses and accrued revenue	107.4
<b>TOTAL ASSETS</b>	<b>10,577.0</b>
Liabilities to credit institutions	627.5
Lending to and deposits from the public	8,148.9
Securities issued	469.1
Liabilities in insurance operations	41.1
Other liabilities	164.9
Accrued expenses and prepaid revenue	189.6
Deferred tax	13.5
Subordinated debt	80.0
Shareholders' equity	842.4
<b>TOTAL LIABILITIES, APPROPRIATIONS AND SHAREHOLDERS' EQUITY</b>	<b>10,577.0</b>

# The asset management company

SEK M	1999	1998
INCOME STATEMENT		
Management charges	332.2	0
Interest income	0.1	0
Interest expense	-0.0	0
<b>Total operating revenue</b>	<b>332.3</b>	<b>0</b>
Administration expenses	-208.1	-0.8
Other operating expenses	0	-0.1
Total operating expenses	-208.1	-0.8
<b>Income before write-down of financial assets</b>	<b>124.2</b>	<b>-0.8</b>
Write-down of financial assets	0	0
<b>Operating income</b>	<b>124.2</b>	<b>-0.8</b>
Tax on income for the year	-34.9	0.2
<b>INCOME FOR THE YEAR</b>	<b>89.3</b>	<b>-0.6</b>

## BALANCE SHEET

### ASSETS

Cash and Bank balances	34.2	1.0
Other assets	161.1	0.8
Prepaid expenses and accrued revenue	2.0	0
<b>TOTAL ASSETS</b>	<b>197.3</b>	<b>1.8</b>

### LIABILITIES, APPROPRIATIONS AND SHAREHOLDERS' EQUITY

#### Current liabilities

Accounts payable	13.7	0
Liabilities to Group companies	153.7	0
Tax liabilities	0.1	0
Other liabilities	1.6	0
Accrued expenses and prepaid revenue	26.5	0.1
<b>Total current liabilities</b>	<b>195.6</b>	<b>0.1</b>

#### Shareholders' equity

##### Restricted shareholders' equity

Share capital, 1,400 shares at SEK 1,000 par value	1.4	1.4
Legal reserves	0.3	0.3
<b>Total restricted shareholders' equity</b>	<b>1.7</b>	<b>1.7</b>

##### Unrestricted shareholders' equity

Unappropriated earnings	0	0
Group contributions provided/received	-89.3	0.6
Income for the year	89.3	-0.6
<b>Total unrestricted shareholders' equity</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>1.7</b>	<b>1.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>197.3</b>	<b>1.8</b>



# The mutual fund management company

SEK M	1999	1 998
INCOME STATEMENT		
Revenue	224	159
Operating expenses	-238	-101
Operating income	-14	58
Appropriations	0	-58
Income before tax	-14	0
Tax	4	0
<b>Income after tax</b>	<b>-10</b>	<b>0</b>

## BALANCE SHEET, 31 DECEMBER 1999

ASSETS		
Current receivables	79	73
Cash and Bank	1	29
<b>Total assets</b>	<b>80</b>	<b>102</b>

SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	9	12
Current liabilities	71	90
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>80</b>	<b>102</b>

# Glossary

## Asset allocation

The allocation between various types of assets in a portfolio, for example the desired proportion of shares, interest-bearing investments and real estate.

## Business for own account

The proportion of an insurance transaction for which the insurance company takes the risk, and which, as result, is not reinsured with another company.

## Claims cost (insurance payments)

The cost for claims which occurred in the fiscal year, irrespective of whether or not they have been notified to the company. This cost also includes run-offs and allocations to the claims reserve.

## Claims ratio, gross

Relationship between cost of claims during the fiscal year and premiums earned, expressed as a percentage.

## Claims ratio, net

The cost of claims on own account in relation to premiums earned on own account, expressed as a percentage.

## Claims reserve

A reserve in the balance sheet that constitutes the estimated amount of compensation not yet paid for insurance incidents which have already occurred.

## Collective net asset value

Difference between the market value of total assets and funds allocated to policyholders.

## Collective solvency margin

Collective net asset value in relation to funds allocated to policyholders, expressed as a percentage.

## Computed interest (Non-life)

Premiums are paid in advance, while operating expenses and claims are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments - the computed interest - is transferred from asset management to insurance operations.

## Credit losses

Anticipated credit losses are the difference between the amount of credit granted and the amount expected to be recovered, taking into account the borrower's ability to pay and the value of collateral. Ascertained losses are determined in bankruptcy proceedings or a settlement, for example.

## Direct insurance

Insurance contracts concluded directly between the insurer and the policyholder. In contrast to indirect insurance (reinsurance accepted), the insurance company is directly responsible to the policyholder.

## Direct yield

The net of interest income, interest expense, the dividend on shares and participations, and the surplus (deficit) on the company's own real estate, less operating expenses for asset management.

## Discretionary management

The manager conducts transactions on a customer's behalf, to the extent and with the restrictions stipulated in contracts and authorizations.

## Equity ratio

The relationship between net asset value and technical reserves on own account, expressed as a percentage.

## Expense ratio, net

Operating expenses plus claims costs on own account in relation to premiums earned on own account, expressed as a percentage.

## Interest-bearing (securities)

Loans issued in the market by a borrower (for example the government). Long-term securities are normally termed "bonds", while the short-term lending is in the form of "bills."

## Investment assets

Investment assets are current or long-term assets which take the form of an investment, including real estate and securities in the case of an insurance company.

## Investment income

The net return on the following income and expenses: interest income, interest expense, dividends on shares and participations, the surplus (deficit) on the company's real estate, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets and exchange-rate gains (losses).

## Management cost ratio

The company's total operating expenses for insurance business in relation to the average market value of the company's assets.

## Net asset value

The sum of equity capital, deferred tax liability in untaxed reserves and surplus values (under values) in total assets, plus bonus funds in life insurance companies.

## New World

Länsförsäkringar Wasa Liv's New World unit-linked insurance option, offering a combination of high-yield equities and fixed-interest securities with a guaranteed yield of 10%.

## Net investment

The difference between total purchases and sales of assets during the fiscal year.

## Operating expenses

Costs of marketing, sales and administration.

## Operating income

Income before extraordinary items, minority interests, appropriations and taxes.

## Premium income

Premiums received during the year. Premium income is a common measure of the volume of insurance business.

## Premium income, net

Gross premium income less premiums paid to reinsurance companies.

## Premium reserve (Life)

Liability item in the balance sheet corresponding to the earned undertakings which the company accepts as due to policyholders. The premium reserve for unit-linked policies includes changes in value of insurance premium reserves.

## Premiums earned

The proportion of premium income attributable to the fiscal year.

## Reinsurance

If an insurance company cannot, or does not wish to, assume the entire liability to policyholders, it reinsures part of the policy with other companies. In this connection, the reinsurance is "ceded" by the first company and accepted (indirect insurance) by the second company.

## Solvency level (Life)

The solvency level refers to the collective solvency margin, and is defined as the market value of the company's assets in relation to the company's total commitments, that is technical liabilities and bonuses allocated.

## Solvency margin (Non-life)

Net asset value in relation to premium income for own account, expressed as a percentage.

## Surplus Value

The positive difference between the market value of an asset and its book value as stated on the asset side of the balance sheet.

## Tactical allocation

The selection of the allocation between different types of assets in a portfolio, for example the desired proportion of shares and interest-bearing investments. The allocation depends on assessment of the market.

## Technical reserves

Comprehensive designation for the premium reserve, claims reserve and the claims settlement reserve.

## Technical reserves for own account

Technical reserves less the reinsurer's share of technical reserve liabilities.

## Total yield

The sum of direct yield, realized gains and losses, and unrealized changes in the total value of assets during the year.

## Underwriting result (Non-life)

Premiums earned less operating expenses and the cost of claims plus income from reinsurance ceded and the investment income from insurance business.

## Venture capital funds

Investments in companies at an early stage of development or companies which are to be restructured.

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